

OVERSEAS NEWS

Moscow says it needs to borrow extra \$14bn

By Quentin Peel in Moscow

THE Soviet Union needs to borrow an additional \$14bn in 1989 just to service its hard currency foreign debt...

That figure is significantly higher than the \$40bn outstanding at the end of 1988, estimated by the Bank for International Settlements...

The imports include Russia to be spent on grain and food products - or almost one third of the available hard currency...

Debt service costs on the \$24bn outstanding would cost \$12bn, leaving an unfinanced balance of more than \$5.5bn...

Supreme Soviet, nevertheless defended plans for massive investment in developing the petrochemical industry in Western Siberia...



A Chinese soldier stands watching students demonstrating in Shanghai

How to visit Hong Kong in bid to defuse entry row

By Robert Mauthner, Diplomatic Correspondent

SIR Geoffrey Howe, the British Foreign Secretary, will visit Hong Kong at the beginning of July to discuss with local representatives the possibility of modifying Britain's strict entry rules for Hong Kong citizens...

Mrs Thatcher had told Sir David that, though she was prepared to see how present immigration arrangements for Hong Kong citizens could be made more flexible...

tion involving the mandatory repatriation of "boat people" from Hong Kong will be found at next week's International refugees conference in Geneva...

Bush wins reprieve on China

By Peter Riddell, US Editor in Washington

PRESIDENT George Bush has won support in the US for his desire to preserve the US relationship with China, while insisting that restoration of "totally normal relations" depends on recognition by the country's leadership of the validity of the students' aspirations and rights...

Nato agrees to go for 3% spending increase

By David Buchan in Brussels

NATO DEFENCE ministers yesterday agreed they should still aim to increase military spending by around 3 per cent in 1990...

defence secretary, said the spending guideline was an incentive to performance. But the ministers instructed their Nato ambassadors to start work on adapting Nato defence planning to the implications of President Bush's call for a conventional force reduction...

Gorbachev unlikely to spring initiative in Bonn

By David Marsh in Bonn

THE Soviet Union yesterday dampened speculation that Mr Mikhail Gorbachev during his trip to West Germany next week will come up with a concrete response to the conventional disarmament proposals unveiled last week by Soviet official George Bush...

needed to free vehicles such as army lorries from military use in order to turn them to civilian purposes. Soviet officials here in advance of Mr Gorbachev's four-day visit spoke pointedly yesterday of the need to convert military industries in East and West to civilian production...

China's debt rating put under review

By Stephen Fidler, Euromarkets Correspondent

MOODY'S Investors Service, the US rating agency, has placed China's long-term debt rating under review for possible downgrading following the violence across the country over the past week...

downgrading one notch to BBB would leave its securities just qualifying as investment grade. Hong Kong's long-term debt rating is higher at A2...

remains an appropriate measure of the nation's creditworthiness. It believed Hong Kong would remain a stronger credit than China...

IMF debt-reduction fund urged

By Peter Riddell, US Editor in Washington

THE International Monetary Fund should set up a special \$50bn trust fund to support much larger scale debt reduction than is currently envisaged...

the lines of the oil and supplementary facilities which Dr Witteveen organised in the 1970s at the IMF. The money would be raised from Japan, West Germany, Taiwan and other surplus countries...

Dr Witteveen argued that the current efforts of the IMF and the World Bank in implementing the US-inspired Brady plan are on the right lines but "a much more sizeable effort is needed"...

US producer prices index sees big rise

By Anthony Harris in Washington

THE US producer price index rose 0.9 per cent in May, its biggest increase since February, due mainly to increases in energy, fresh foods and cars...

He still believed the Federal Reserve had acted prudently in its cautious relaxation of monetary policy in the past week and that inflation would stabilise in the second half of the year...

GREENPEACE advertisement featuring a dolphin and text about marine reserves and lost dolphins. Includes a donation form for Greenpeace.

European ban on latest Boeing lifted

By Lynton McLain

THE aviation authorities of France, West Germany, the Netherlands and the UK have certified the latest Boeing jumbo jet, the 747-400 airliner, subject to Boeing modifying the aircraft within two years to meet European safety standards...

R-R forms aero-engine financing company

By Michael Donne, Aerospace Correspondent

A NEW company, Rolls-Royce and Partners Finance (RRPF), has been set up to help Rolls-Royce with the financing of its aero-engine and other product sales, especially overseas...

Dutch seek to rein in excessive bank lending

By Laura Raun in Amsterdam

WITH an eye to the threat of inflation the Dutch Central Bank hopes to rein in excessive bank lending through a new "cash reserve" penalty...

EC plan to help African elephant hailed

By Tim Dickson in Luxembourg

THE European Community's decision late on Thursday night to ban all imports of raw and worked ivory was hailed yesterday as an important step towards saving the African elephant...

FINANCIAL TIMES advertisement with contact information and subscription details.

OVERSEAS NEWS

No labour of love for Arabs and Israelis

The intifada has led to conflict on the economic front, reports Hugh Carnegie

THE introduction this week of a strict new permit system for the thousands of Palestinians from the Gaza Strip who earn their livelihoods in Israel adds another element to the economic battle that has run parallel to the violent political struggle in the occupied territories.

In the weeks before introducing the new system, the Israeli army sealed off Gaza for days at a time and at one point ordered all Gazans working in Israel back to the area. Security considerations aside, the message of all these measures was clear: Gazans should not expect to go on enjoying the benefits of employment in Israel while an insurrection was going on back at home.

The crackdown was not universally welcomed in Israel, however, as several industries, particularly construction, were suddenly faced with a lack of labour. It raised the question of who comes off worse in the economic conflict.



A Palestinian worker in the Gaza Strip holds up his new computer-coded identity card. Arab workers can no longer enter Israel without the cards.

The answer is clearly the Palestinians, although the Israeli economy has suffered to a significant extent in the short term and, in one important respect, may be sustaining long term damage. The economies of Israel and Gaza and the West Bank became linked after the Israeli occupation of the territories in the 1967 Six Day War.

Israel tapped the Arabs' lands for cheap labour and looked on them as an expanded domestic market. The prevailing attitude was that tying the territories closely to Israel's economy would have the political benefit of making their Palestinian residents less inclined to rebel.

In economic terms at least, the benefits for the previously undeveloped territories were great. GNP in the West Bank grew at an annual average of 16 per cent between 1983 and 1978 and at more than 13 per cent in Gaza. The rate of growth slowed thereafter, but still averaged more than 4 per cent up to 1988. However, this also meant that by the beginning of the intifada in late 1987, 27 per cent of the GNP of Gaza and the West Bank was accounted for by

the Israeli economy is almost total, especially in Gaza, but also to a large extent in the West Bank, says Ephraim Kleinman, professor of economics at Hebrew University. "They are very vulnerable."

Hisham Awartani, an economist at an-Najah University in the West Bank city of Nablus, reckons the combination of Intifada strikes actions, curfews, reductions in time worked in Israel and the general disruption of the uprising has caused a fall in per capita income in the territories of about 40 per cent.

Attempts to promote local industry to improve self-sufficiency have had some success, especially in dairy products and soft drinks. But Palestinians have had to fall back heavily on savings and traditional family supports.

The Israeli economy has felt the pinch of the intifada but has been much more able to absorb its effects. The Palestinians never accounted for more than 7 or 8 per cent of Israel's total workforce and high unemployment means the fall in labour input from Gaza and the West Bank, which Prof Kleinman puts at somewhere between 15 and 20 per cent last year, can be offset to quite an extent.

The construction industry still managed to grow in 1988, albeit at reduced levels, despite being hard hit by the squeeze on its cheap labour pool.

Kleinman, who calculates the intifada had a negative effect of 1.5 per cent on business output last year. The most serious decline was in the sensitive tourist industry. There was a near 15 per cent decline in the number of visitors to Israel in 1988, although there are signs of a revival this year.

Government and academic economists see the most worrying signs of damage in the unquantifiable realm of the uncertainty and lack of confidence that the intifada engenders in the economy. They are afraid that recent sharp declines in investment reflect worries about the political situation that only an end to the uprising could overcome.

But any Israeli hopes that that might be achieved by economic pressure are well wide of the mark, according to Hisham Awartani. "That is self-defeating. People will only become more bitter, more angry and more determined."

UK NEWS

Plessey division buy-out attempt 'almost certain'

By Terry Dodsworth, Industrial Editor

PLESSEY'S semi-conductor division is almost certain to attempt a management buy-out if the UK electronics group is acquired as the result of a renewed takeover bid by General Electric Company and Siemens of West Germany.

The possibility of a buy-out was reinforced yesterday when Mr Jürgen Knorr, head of Siemens' semi-conductor division, indicated that the West German group would not necessarily oppose it. Asked what Siemens' reaction to a Plessey semi-conductors buy-out proposal would be, Mr Knorr said: "If they would like to do it, they should do it. Our first priority is telecommunications."

Mr Knorr, who was speaking at a conference given by the Dataquest market research group in Munich, has in the past pointed to the advantages of co-operation between the Siemens semi-conductor division and Plessey.

GE, however, is privately less enthusiastic about supporting and running the Plessey semi-conductor business. The report says that this has led to the management buy-out proposal.

Mr Doug Dunn, managing director of Plessey Semi-conductors, also in Munich yesterday, made clear that the buy-out option would only be for independence. "Plessey does not want to do anything in this direction yet, and nothing I have done on my own initiative goes against the Plessey group. I have largely been at the end of telephone calls from financial organisations."

Nevertheless, Mr Dunn took a further step yesterday towards clearing the decks for a buy-out with an agreement to sell a small unit of his semi-conductor division that does not fit into the main activity of high-technology integrated circuits. This business, based at Oldham in Lancashire, has sales of £10m and is being purchased by a management team for an undisclosed sum.

Given a successful offer for Plessey by the Anglo-German consortium, Mr Dunn is likely to feel that the time to make an effective buy-out offer for the semi-conductor division would be immediately after the acquisition.

Last year, Plessey semi-conductors had sales of £130m. Operating profits amounted to about £20m (£13m), implying about £20m for the buy-out.

Lloyds to scrap 15 regional head offices

By David Barchard

LLOYDS BANK, the smallest of the big four clearers, is to shed its 15 regional head offices in a shake-up of UK retail banking operations.

About 750 people are employed in the regional offices, but Lloyds said no redundancies were planned and staff at the offices would be reallocated to new positions.

Mr David Pirrie, the recently appointed director of Lloyds responsible for retail banking in the UK, said yesterday that the reorganisation would provide shorter and clearer lines of communication and make the bank more responsive to customers' needs.

Lloyds says it does not, however, intend to copy Midland Bank, which recently announced plans to reduce staff numbers at each branch, while carrying out processing operations centrally. "We are not going down the factory banking route," Lloyds said.

Some functions at present carried out by Lloyds Head Office will be transferred to eight regional executive offices, which will provide sales and logistical support to branches.

However, most planning and budget decisions affecting branches will be taken by 50 area directors.

The managerial changes will be accompanied by a £450m programme to refurbish Lloyds' 2,400 branches, with 500 branches being modernised over the next two years.

Outlook gloomy as Ulster growth continues to lag

By our Belfast Correspondent

GROWTH in the Northern Ireland economy continues to lag behind the rest of the UK, according to a report published yesterday.

While last year was probably the best for Ulster's economy since the 1970s, the rate of improvement for almost every economic indicator was below the national average.

In its annual assessment of Ulster's economy, the Northern Ireland Economic Council expects a less buoyant performance in the year ahead.

The slowdown expected as a result of tighter UK monetary policy will present the province with great difficulties, the report says.

It also emphasises the vulnerability of the Northern Ireland economy during a downturn in the level of activity and the need for concerted efforts by the Government and the private sector to consolidate gains already made.

The economic council urges the Government to struggle to maximise Northern Ireland's share of the enhanced structural funds available from the European Community.

Prof Colin Campbell, the council chairman, said: "There are clear signs that growth in the national economy is slowing, and this will make it difficult to sustain the momentum of the recovery which has only recently emerged in Northern Ireland." He added: "The fortunes of our economy are closely tied to the progress of economic development in the UK and Europe."

● Sperrin Textiles, a Co Antrim leisurewear company, yesterday announced its closure with the loss of 160 jobs.

Hinkley QC to visit Chernobyl

By David Green

MR MICHAEL BARNES, QC, the inspector conducting the Hinkley Point C nuclear power station inquiry, is to visit Chernobyl, scene of the world's worst power station accident.

The decision by Mr Barnes to make the five-day visit, starting on July 10, follows the large amount of evidence, some of it conflicting, he has received about the accident.

Opponents of the £1.47bn Hinkley Point C station say the accident showed that nuclear power is too dangerous, in spite of the difference in reactor design and safety regulations used by the Soviet and British nuclear industries.

Peace hopes rise in semi-conductor trade dispute

By Louise Kehoe in San Francisco

US and Japanese electronics industry executives concluded "very constructive" discussions on the issue of US-Japanese semi-conductor trade in Tokyo yesterday, with representatives of industry groups from both countries optimistic that the long-running dispute can be resolved.

Conducted in the shadow of the US government's recent "Super 301" trade action, which named Japan as an unfair trading partner, the talks may signal a changing tide in US-Japanese high technology trade relations.

US officials said better communications between the two countries' industries over the past year had helped make talks more constructive.

They also noted however that political changes in both countries - the new US Administration and the new leadership in Japan - had changed the atmosphere of the discussions since their last visit to Tokyo a year ago.

The industry meetings focused on the status of the 1986 US-Japanese semi-conductor trade agreement. Although the US industry group continued to maintain that progress toward increased foreign participation in the Japanese semi-conductor market falls short of that expected under the terms of the bilateral pact, the tone of the meetings was significantly more cordial than in the past.

A year ago, a similar meeting in Tokyo ended in disarray when the US industry group claimed that the Japanese industry was refusing to acknowledge the progress towards an open Japanese market could be measured only in terms of increased foreign market share.

Despite the fact that the US share of the Japanese semi-conductor market had fallen by a fraction of a per cent over the past year, the US industry group was encouraged at this week's Tokyo meetings by a Japanese initiative to encourage US chip-makers to participate in the emerging Japanese market for high definition television.

"We want the co-operation of

Kiss-and-tell geisha girl adds to ruling party woes

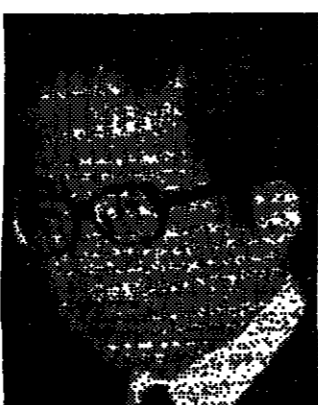
By Ian Rodger in Tokyo

ALLEGATIONS of a brief liaison four years ago between an erstwhile geisha and Japan's new prime minister, Mr Sosuke Uno, are adding to the woes of the scandal-ridden Liberal Democratic Party (LDP).

Party officials fear that the revelations in a Japanese newspaper this week under the title "You Bought My Body for ¥200,000 (£1,333) a Month" will alienate women voters in important parliamentary elections next month. Mr Uno's aides have denied the story, but the prime minister himself, when asked about it in the Diet (parliament) yesterday by an indignant woman representative, would only say, "no comment."

This being Japan, the idea that Mr Uno may have had a relationship with a geisha is of no particular interest. It is commonplace for prosperous men of Mr Uno's generation to have mistresses and this is accepted as normal. However, LDP officials worry that the seediness of it all could be costly.

For one thing, the woman was not a real geisha. By tradition, girls begin training to be geishas in their teens and spend several years learning refined manners and skills in such things as playing the piano, dance, musical instruments, flower arranging and the tea ceremony to enable them to soothe their important male clients and complement them socially. The woman in this case, who did not reveal her identity, apparently set herself up as a geisha when she was 40



Prime Minister Sosuke Uno: 'brief liaison'.

after divorcing her husband and quit only six months later.

According to legends, men seek geishas mainly for their stimulating companionship; sex is often not part of the arrangement. In this case, there seems to have been little else. Moreover, it is unheard of for real geishas to kiss and tell. One official remarked yesterday that the incident reflected the gradual decline of the geisha tradition, which has become beyond the means or the timetable of the average Japanese senior Japanese executive today.

Whatever the truth of the incident, it could hardly have surfaced at a more unfortunate time for the LDP. Because of the damage done to its popularity by the recent bribery scandal, the party is already in a great danger of losing its majority in the upper house

where elections to fill half the seats are due next month. Party officials have been hunkering for weeks to improve their standing among various classes of voters.

This week, for example, they have decided to bring forward the annual fixing of the rice price subsidy from August to July. In recent years, the government's policy has been to cut the subsidy gradually, causing immense dissatisfaction among farmers. However, next month the Government is expected to announce that the subsidy will be frozen in the hope that this will win votes in the agricultural community.

Party leaders selected Mr Uno last week to be prime minister hoping that his lack of involvement in the recent bribery scandal would help improve the LDP's corruption-tainted image. However, the allegations by the crypto-geisha are not helpful.

She described him as being vain and self-important when she met him at a party in the presence of senior party leaders and timid when with his wife. "He is not a man of noble character," she is quoted as having said.

It remains to be seen if these allegations cause any damage to the party. Mr Takayoshi Miyagawa, president of the Centre of Political Public Relations, an LDP-associated political study centre, was sceptical. "Even before this disclosure, the party was already in a bad way. They dislike his type; he talks too much," Mr Miyagawa said.

Alternative to CFCs developed

By Michio Nakamoto

MITSUBISHI Electric and Taiyo Sanso of Japan have jointly developed a semi-conductor washing device free of chlorofluorocarbons (CFCs), the gases thought to deplete the earth's ozone layer.

The device involves a process called "ice cleaning" which uses fine particles of ice and frozen alcohol at temperatures below minus 90 degrees centigrade to blow dust off semi-conductors without harming them. By using particles as small as 0.1 micron it

can remove dust of submicron levels and grease and oil from semi-conductors and printed circuit boards. Results are comparable to CFCs, the companies claim.

International pressure to reduce and eventually abolish CFC use has triggered a rush among Japanese companies to develop substitutes, particularly for the semi-conductor manufacturing cleaning process. This accounts for much of the CFC use in Japan and no effective substitute is available.

In addition to cleaning semi-conductors, "ice cleaning" has a wide range of applications, such as in dishwasher jets for cleaning pipes by rotating and blowing pressure and angle or changing the particle size and hardness.

Mitsubishi Electric, Japan's third-largest electric machinery maker, and itself a large consumer of CFCs, and Taiyo Sanso, a major industrial gas producer, plan to launch the new device next spring.

Manufacturers' optimism reaches record level

By Ian Rodger

JAPANESE manufacturers' confidence rose to the highest level ever in mid May, according to a widely regarded quarterly survey conducted by the Bank of Japan.

The central bank's Short-term Economic Survey of Enterprises in Japan was carried out before the recent hike in its discount rate by 0.75 per cent to 3.25 per cent, however, bank officials said the report was so bullish there were no grounds for concern about a slowdown. The survey covered 7,536 companies, including 648 large corporations.

The business condition index - calculated by subtract-

ing the percentage of manufacturers judging that the outlook is brighter from the percentage who consider it favourable - reached a record 55 per cent - continuing a powerful advance since last August (39 per cent) through November (48 per cent) and February (52 per cent).

Japanese manufacturers forecast that their sales would grow 2.2 per cent in the first half of the current fiscal year to March 1990 and 1.5 per cent in the second half. Both figures were revised upward from the February survey. The favourable sales growth was attributed to increasing long-term capital

expenditures by corporations and buoyant consumer spending, a BOJ official said.

Non-manufacturers forecast that their sales would grow 2.7 per cent in the first half of the year and 2.3 per cent in the second half, mainly because of an active property sector.

The quarterly survey showed that more businesses expect merchandise demand will exceed supply than those who think supply will be adequate for the first time in about 15 years. Also, a majority of companies suspected that their buying prices would rise in the near future, reflecting higher crude oil prices and the yen's

Commercial vehicle sales rise 11% but imports feed demand

By Kevin Done, Motor Industry Correspondent

COMMERCIAL vehicle sales jumped by 11.31 per cent in May to 35,393 compared with 29,101 a year ago, according to figures from the Society of Motor Manufacturers and Traders.

Demand for commercial vehicles has continued to grow strongly in all the main segments of the market including trucks, light and medium vans and buses.

Commercial vehicle registrations in the first five months were 14.2 per cent higher than a year ago at 166,962 and sales for the full year are expected to reach a record level for the third successive year.

Imports' share of the UK commercial vehicle market was 41.79 per cent compared with 38.22 per cent a year ago, but for the first five months it was still virtually unchanged at 40.45 per cent.

Competition for leadership of the UK market is intensifying as DAF of the Netherlands closes the gap behind Iveco Ford, the market leader.

Both companies are coming under heavy pressure from the main importers Mercedes-Benz of West Germany and Scania and Volvo of Sweden, as well as from the two UK-based heavy truck makers ERF and Foden.

Scania has increased its sales volume by 45 per cent in the first five months of the year, while Volvo, which also assembles trucks in the UK, has raised its sales by 23 per cent. Both companies' sales were depressed in the early months of last year by a white-collar workers' strike in Sweden which stopped production at several works.

Leyland DAF, DAF's UK subsidiary, led the UK truck market in both April and May. In the first five months it has increased its sales by 10 per cent, compared with a gain of only 2 per cent by Iveco Ford, although both companies have been outpaced by the 14.6 per cent jump in the overall UK truck market.

In the first five months, Leyland DAF captured 21.4 per cent of the market only narrowly behind the 21.6 per cent of Iveco Ford, whereas a year ago Iveco Ford held a clear lead with 24.4 per cent compared with Leyland DAF's 22.3 per cent.

ERF, the only independent

Commercial vehicle sales rise 11% but imports feed demand

By Kevin Done, Motor Industry Correspondent

UK COMMERCIAL VEHICLE REGISTRATIONS JAN-MAY 1989

	Volume (Units)	Volume Change (%)	Share (%) Jan-May 89	Share (%) Jan-May 88
Total Market*	166,962	+14.26	100.00	100.00
Imports	67,236	+14.94	40.45	40.19
Small vans (up to 1.8 tonnes)				
Total	52,296	+13.27	100.00	100.00
Imports	15,427	+13.33	29.12	29.70
Ford	17,076	+36.93	32.65	27.04
GM (Bedford)	14,246	+4.50	27.24	29.55
Rover Group	8,837	+9.29	16.51	17.13
Peugeot (incl. Citroen)	4,005	+0.28	7.65	8.85
Renault	2,712	+2.96	5.19	5.71
Medium Vans (1.81-3.5 tonnes)				
Total	72,813	+15.49	100.00	100.00
Imports	33,855	+18.82	46.50	45.16
Ford	34,792	+33.75	48.03	41.47
DAF (Leyland DAF)	7,178	-3.00	9.86	11.74
Renault	6,225	+29.87	8.56	7.91
Mercedes-Benz	3,987	+7.27	5.48	5.91
Scania	3,590	-12.77	4.93	7.25
Peugeot (incl. Citroen & Talbot)	3,907	-0.86	5.37	6.26
GM (Bedford)	3,785	+4.01	5.17	5.74
Trucks (over 3.5 tonnes)				
Total	31,878	+14.81	100.00	100.00
Imports	13,427	+13.33	41.83	40.70
Ford	6,975	+2.35	21.81	24.43
DAF (Leyland DAF)	6,849	+10.04	21.42	22.31
Mercedes-Benz	4,836	+16.53	15.12	14.88
Volvo	3,903	+22.94	12.27	10.51
Renault (RTT)	1,916	+0.52	5.99	6.83
Of which Heavy Trucks (over 15 tonnes)				
Total	77,333	+18.76	100.00	100.00
Ford	3,886	+6.45	21.72	23.63
DAF (Leyland DAF)	3,338	+25.91	18.61	17.26
Volvo	1,827	+5.79	10.80	11.92
Mercedes-Benz	1,927	+28.13	10.74	9.79
ERF	1,807	+42.28	10.08	8.27
Scania	1,966	+7.90	9.29	10.05

*Includes buses and light four wheel drive utility vehicles
Source: Society of Motor Manufacturers and Traders and industry estimates.

publicly quoted UK truck maker, is making increasing inroads into the UK heavy truck market and raised its share of the segment in the first five months to 10.7 per cent from 9.8 per cent a year ago with a 26 per cent increase in new registrations to 1,527.

Foden, the specialist heavy truck maker, increased its sales by 52 per cent in the first five months to 830.

At the same time AWD, the privately owned truck maker which took over the former Bedford operation in Dunstable at the end of 1987, captured 1.7 per cent of UK truck sales in the first five months after its return to the civilian market late last year.

Sales in the UK van market are being dominated by Ford, which has recovered sharply from the impact of a two-week strike in February last year. Ford has increased its sales of Transit medium vans by 34 per cent this year and now controls 49 per cent of the market, while Ford small van and pickup sales jumped by 37 per cent to hold a third of the market.

Only Renault of France has kept pace in the medium van market with a 30 per cent increase in sales to capture 8.6 per cent of the market.

UK NEWS

Stock Exchange may face US 24-hour trading

By Richard Waters

LONDON'S Stock Exchange might face round-the-clock competition from across the Atlantic by early next year, although the competition would be restricted initially to only a handful of stocks.

The National Association of Securities Dealers, which runs New York's over-the-counter market, yesterday confirmed reports in the US that it plans to start trading at 4am New York time. That would allow it to trade throughout the London day.

The development appears to mark a challenge to the Exchange's dominance of the European time zone for dealing in international equities. It also comes at a time when the Exchange has suffered damaging disagreements over its dealing rules and the development of its clearing and settlements systems, suggesting that there might be room for a rival.

However, the NASD claimed that its intentions were friendly, and that it wanted to co-operate with the Exchange rather than take it on its home ground.

The Exchange, which already co-operates with the NASD by carrying the prices of about 350 of its shares on its own quotations system (Seaq), refused to comment on the development. However, London securities firms accepted that competition between the two markets might follow.

"If it leads to competition in the market, so be it," said Mr Charles Hue Williams, a director of Kleinwort Benson. "But I don't think it would take business away from Seaq."

There is currently little overlap between the two markets. Only 71 of the 5,500 stocks quoted on the NASD's quotations system, Nasdaq, are also quoted on Seaq.

Competition is likely to focus on just seven securities that are carried on both systems. These are the ADRs (American Depository Receipts) of a handful of UK companies which are widely traded in the US - Bee-

Opposition to Palumbo hinges on legal fight

By Paul Cheswright, Property Correspondent

THE FINAL STAND for the opponents of Mr Peter Palumbo's plan for a new office building in the historic centre of the City of London is likely to be fought on the shifting sands of planning law.

Mr Nicholas Ridley, the Environment Secretary, set off two processes on Thursday when he gave permission for Mr Palumbo to construct a new building designed by James Stirling and to pull down eight listed and five other Victorian buildings near Mansion House, part of the City's conservation area.

First, he revived the debate which has been going on for as long as most people can remember about Mr Palumbo's plans for his new office building on the site called Number One Poultry. Second, he set the lawyers looking to see whether Mr Ridley had breached planning law.

The debate itself is still intense, but the terms are judged. Those opposed to the plans are already able to do little more than argue. Others who think a new building at Number One Poultry would benefit the City have not changed their minds either.

The Victorian Society yesterday said it would oppose the demolition of the Victorian buildings could be sanctioned. On the other hand, Lord St John of Fawley, chairman of the Royal Fine Art Commission, was very pleased with Mr Ridley's decision, although he expressed reservations about the quality of a replacement building could be used as a criterion for deciding whether listed buildings should be demolished. If they decide not, they are likely to pursue the argument into the High Court.

Mr Brian Bagot, the architect whose report on the 1988 public inquiry formed the basis of Mr Ridley's decision, used the argument that the Stirling building "might just be a masterpiece" to justify demolishing listed buildings.

Planning specialists saw that as a new departure in the writing of planning-inquiry reports. Mr Bagot's report read like an architectural thesis. Most inquiry reports are mere summaries of the issues in dispute, such as traffic flows and building bulk.

Yet mounting his argument at the aesthetic level was inevitable for Mr Bagot after the outcome of an earlier inquiry, which had recommended a decision that Mr Palumbo's plans of that time were not acceptable, although something else might be.

Yesterday's Cabinet onslaught involved a co-ordinated attack on a Labour Party which, until recently, was not considered worthy of ministerial attention but which has become the priority target.

A phalanx of ministers, made uncomfortably aware of Labour's progress after the publication of a Gallup poll putting it 7 percentage points ahead of the Tories, yesterday spoke of their opponents' phoney conversion from old-style socialism to modern liberalism.

While Mr John Major, the Chief Secretary to the Treasury, dubbed Labour the party of high taxation, Mr Nicholas Ridley, the Environment Secretary, accused the opposition of notching up a "criminal record" on pollution.

Mr Peter Brooke, Tory Party chairman, claimed that Labour

Hong Kong highlights migration muddles

Alan Pike and Richard Donkin trace the uneven history of British entry policies

By Alan Pike and Richard Donkin

THE FLIGHT of 3.5m people in Hong Kong eligible to take out British National Overseas Passports but denied the right to live in the UK is amplified by the irony of up to 130,000 people in the nearby territory of Macao who should obtain that right in two years' time.

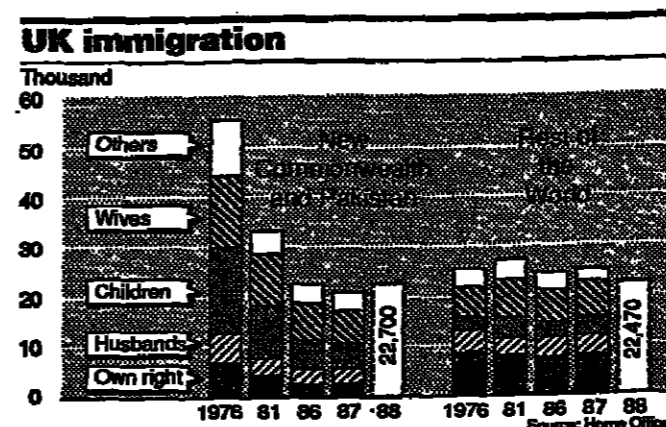
The 1981 Nationality Act removed the automatic right of Hong Kong citizens with British passports to live in the UK. The Macao residents have Portuguese passports that carry full rights of abode in Portugal and will, like other EC nationals, be eligible to work and settle in Britain after 1991 under the Treaty of Rome.

As citizens of a British dependent territory, Hong Kong residents will not enjoy that right - unless they can raise £150,000 in ready cash - when the colony reverts to China in 1997. Two years later, Macao will also pass under Chinese sovereignty.

The contradiction illustrates the perversities of immigration controls, which have surfaced many times this century as British governments have sought to restrict entry into the country.

The machinery of British immigration control was first established in 1905 with the passing of the Aliens Act, the result of a long campaign against the influx of Jews, driven out of eastern Europe by the pogroms of the late 19th century.

However, not until the Commonwealth Immigrants Act of 1962 did Britain seek to close the doors on residents of the British Commonwealth. Free entry was a direct result of policies to encourage immigrants



to work in the reconstruction of the UK's war-damaged economy.

Severe labour shortages led to Britain recruiting first from Europe - more than 100,000 Poles were allowed to stay in Britain between 1945 and 1947 - and then from the Commonwealth.

The first Commonwealth wave in the early 1950s came from the Caribbean, often encouraged by newspaper advertisements placed by state employers, such as London Transport and the National Health Service.

By the early 1960s, the scale of immigration became increasingly apparent.

Race riots had broken out in London's Notting Hill in 1958 and in October of that year Lord Home, then the Conservative Home Secretary, warned that curbs would have to be introduced on immigration.

Four years later, the 1962 Act introduced immigration control for all British subjects except those born in the UK or those who held British passports.

An employment skills grading system was introduced which had an immediate effect on immigration from the new Commonwealth countries.

For example, from January to June 1962, Britain accepted 25,000 Pakistani immigrants. In the six months after the Act came into effect on July 1 there was a net loss of 137 immigrants from Pakistan.

The skill categories were tightened further in the mid 1960s, but immigration remained a potent political issue throughout the decade, culminating in Mr Enoch Powell's "rivers of blood" speech in 1968.

Restrictions spread further with the introduction in 1968 of the Commonwealth Immigrants Act to close an immigration "loophole".

Before that Act, members of the former colonies of Uganda and Kenya who had retained their British passports were free from restrictions. But africanisation in those countries was leading African Asians to particular to leave for Britain

and the Labour Government pushed the law through all its parliamentary stages in three days, subjecting the African Asians to a voucher system.

Virtually all existing immigration law was replaced by the succeeding Conservative administration in the Immigration Act of 1971, which remains the basis of control today.

While not relaxing the law, the British Government did exercise its discretionary powers to increase an annual quota of special vouchers in 1971 (from 1,500 to 4,500) to meet the threat of expulsion facing Asians in Uganda. The number of vouchers fluctuates year by year.

The decade since Mrs Thatcher came to power has been marked by a continuation of the progressive tightening of immigration controls introduced in the 1960s.

References to the need for firmer policies on immigration were prominent in speeches of Conservative politicians in the run-up to Mrs Thatcher's 1979 election victory and in 1981 the British Nationality Act - which took effect in 1983 - introduced a new concept of British citizenship.

The former, single citizenship was replaced by three new categories depending upon an individual's closeness to Britain, with most Commonwealth citizens retaining the status British Overseas Citizen. Although strongly criticised, the content of the 1981 Act was similar to a green paper published by the previous Labour administration in 1977.

Last year, another Immigration Act came into force.

Among other things, this has changed the appeal process for people facing deportation.

Two popular misconceptions about post-war immigration to Britain remain. Firstly, that the majority of newcomers were unskilled and secondly, that their arrival led to a large increase in the total population.

The last census, in 1981, showed that around 3.4m people living in Britain had been born overseas. More than half of these - 1.89m - were white.

More people entered Britain than left it between 1963 and 1987, but traditionally the trend has been the reverse. Between 1971 and 1983 there was a 465,000 net loss of population.

In 1986, a formal investigation by the Racial Equality Commission concluded that Britain's immigration controls operated to the disadvantage of poor people coming from the New Commonwealth and Pakistan. The CRE report was published only after an 18-month delay in which the Home Office made an unsuccessful High Court attempt to have the investigation declared outside the commission's powers.

It is sometimes argued that strict immigration policies militate against good community relations policies within Britain.

There is ample evidence that, while the high level of immigration from the New Commonwealth in the 1960s and 1970s is over, many problems that Britain faces in becoming a genuine multicultural society have still to be tackled.

Crédit Lyonnais to sell CL Aitaire

By George Graham in Paris

CREDIT LYONNAIS, the French state-owned bank, has agreed to sell CL Aitaire Co, its London private client stockbroking business, to London Investment Trust Holdings for an undisclosed sum.

The French bank will at the same time restructure its London securities businesses, built around the Alexanders Laing and Cruickshank group which it bought in 1987 for £75m.

ALC cost Crédit Lyonnais FF2 298m (£28.25m) in operating losses last year and a further FF2 305m in exceptional restructuring costs and the write-off of goodwill, but had still not returned to break-even in the first three months of the year.

Crédit Lyonnais said yesterday that it would reorganise the ALC activities into four divisions under a new holding company, to be named Crédit Lyonnais Capital Markets.

Crédit Lyonnais Rouse will deal in foreign exchange, futures and commodities.

Alexanders Discount will take part in the money mar-

kets.

Laing and Cruickshank Investment Management will regroup the fund management activities.

Crédit Lyonnais Securities will handle bond and equity market operations. Mr Ian Hay Davison, ALC chairman, said the changes did not involve any redundancies.

No price was disclosed for the sale of Aitaire, but Crédit Lyonnais officials indicated that the bank had paid less than the market rate when it had bought Aitaire in January 1987 and would receive more than the market rate for the sale. The market rate, however, has suffered in the meantime from the effects of the October 1987 equity market crash.

James Capel, the stockbroker firm owned by the Hongkong and Shanghai Bank, is reviewing its operations and may make some lay-offs, the bank said. However it stressed the bank's commitment to maintaining Capel's presence in all its major markets.

Pearl restricts drink-drive claim terms

By Eric Short

MOTORISTS insured with Pearl Assurance Company will not have any claims paid if they are convicted of a drink-drive offence, other than the minimum liability required under the Road Traffic Act.

Indeed, the company may even try to recover from the motorist at least some of the cost of meeting the legal requirement.

That is the central feature of Pearl's new motor insurance contract, DriveWise, which comes into operation from the beginning of next month. Its provisions will apply to all existing policyholders when they renew their insurance with the company.

Pearl Assurance is one of the smaller motor insurers in the UK market with about 140,000 policies in its portfolio, of which about 100,000 are private car contracts. It markets primarily through its own agency force.

Mr Michael Freeman, Pearl's motor manager, emphasised that the move was not a launch of a total abstinence policy. However, he said that it was time for insurance companies to take the lead in tightening up on indemnifying motorists who drive while over the legal alcohol limit or under the influence of drugs.

He pointed out that motor contracts include a clause requiring motorists to keep vehicles in a roadworthy condition and that claims can be repudiated if the vehicle

Top directors 'earning £450,000'

By Michael Skapinker

THE BEST-PAID 10 per cent of UK executive directors earn £450,000 or more, according to a survey by Korn/Ferry International, the executive search firm. That compares with £200,000 a year or more last year.

The average total earnings for the highest paid executives of UK companies with a turnover of more than £500m is £192,000, compared with £182,500 in the 1988 survey.

The study, which covered 163 of Britain's largest companies, found that 90 per cent expected their revenues to increase in 1989 and 81 per cent expected a growth in profits. Eighty-three per cent of the companies reported increased revenues in 1988 and 81 per cent said their profits had gone up.

Over half of the companies said they increased employee numbers last year, while only a quarter said they had reduced them. About half of those surveyed expected to increase their non-executive director fees in 1989 - just 14 per cent intended to reduce employee numbers.

The survey showed that 43 per cent of companies grew by acquisition in 1988, compared with 50 per cent in 1987.

Executives in the US dropped: only 15 per cent of companies said they had made an acquisition in the US in 1988, compared with 23 per cent in 1987.

The influence of non-executive directors was reduced, with a majority of companies having a majority of non-executives on their boards, compared with 22 per cent in 1987.

Non-executive directors are, however, being better paid. The average total earnings of non-executive chairmen increased by 46 per cent to £42,890 during 1988. Other non-executive directors' total earnings increased from £9,400 to £11,700.

The companies surveyed reported that the influence of their institutional shareholders had increased: more than 50 per cent said that they influenced business decisions, compared with 44 per cent in 1987. Twelve per cent of companies now had an institutional representative on the board.

Boards of Directors Study UK from Korn/Ferry International, Norfolk House, 31 St James's Square, London SW1Y 4JL, 252.

Construction at £10.9bn record in first quarter

By Andrew Taylor, Construction Correspondent

THE VALUE of UK construction output during the first three months of this year was £10.9bn, which was a record, even after allowing for the effects of inflation on prices. Mr David Trippier, construction minister, said yesterday.

The value of works expressed in constant 1985 prices was £8.7bn, which was 3 per cent higher than the previous three months and 4 per cent higher than the first quarter of last year.

Mr Trippier said that work for private-sector clients accounted for almost two thirds of construction output in the first quarter of this year.

Private commercial work was 28 per cent higher than in the same period last year and 9 per cent higher than the final quarter of last year.

Private industrial work in the first quarter was 20 per cent up on the same period last year and 3 per cent higher than the final quarter last year.

Private housing output, however, was 16 per cent lower than the first three months of last year and 1 per cent lower than the last quarter of 1988.

Mr Trippier yesterday gave the go-ahead for a further £1.5m of city grants for inner-city schemes in Bolton, Huddersfield, South Shields, Stockton and Birmingham.

Clarke threatens doctors over new NHS contract

By Tom Lynch

THE GOVERNMENT has threatened to withdraw some of the concessions it made in negotiating the new contract for National Health Service general practitioners if the British Medical Association throws out the deal.

Mr Kenneth Clarke, the Health Secretary, yesterday stepped up the pressure on GPs, ahead of their conference on June 21 at which they will decide whether to endorse the agreement reached last month between the Department of Health and the BMA.

In a Commons written reply, Mr Clarke repeated his warning that he might impose the contract if the doctors rejected it and reminded GPs that last

month's agreement between the BMA and the Health Department was a package which "involved a great deal of compromise by both parties."

If the package was rejected, he "would have to re-examine the various elements of the agreement."

The Government's main concessions were higher allowances and looser targets on extra payments for preventive treatment.

Mr Clarke said: "It is for the profession to decide whether or not to endorse the agreement reached by their negotiators. If they do not, I would feel bound to ensure that the Government's objectives were still achieved."

Seven-day operation starts in Telegraph change-over

By Raymond Snoddy

THE Daily Telegraph moves to seven-days-a-week operation tomorrow with Mr Max Hastings taking over formally as editor of the Sunday Telegraph as well as the daily title.

The changeover will be marked by the relaunch of the Sunday Telegraph's supplement, 7-Days, which will contain an extensive television information service.

Mr Peregrine Worsthorpe, until now editor of the Sunday Telegraph, will from this week be editor of the four-page review and opinion section of the paper.

Mr Hastings said yesterday: "We are lucky in The Daily Telegraph to have very large editorial resources. What we want to do is to try to use them in such a way that The Sunday Telegraph gets the maximum benefit from them."

In the six months to April 1989, The Daily Telegraph had average sales of 1.12m while over the same period The Sunday Telegraph had just over half that at 664,177.

Mr Hastings said the move towards seven-day publishing was being handled in a pragmatic way.

The Sunday Telegraph will have a separate City editor, Mr John Jay, and has just appointed Ms Julia Langdon from the Daily Mirror as its political editor.

Other areas will be much more integrated.

The aim is give the Telegraph colour magazine, now distributed with The Daily Telegraph on Saturdays, a country living feel to it and to make 7-Days more metropolitan.

In March, the company announced the largest pre-tax profit in its history - £23.1m for the year to December, compared with £20,000 in 1987.

Some analysts believed profits this year might top £40m.

Tories get braced for worse before better

Michael Cassell finds a party growing jittery over Labour success in the polls

By Michael Cassell

THE government, which tomorrow celebrates the second anniversary of its second re-election, yesterday launched a Cabinet-level counter-offensive against Labour in the face of fresh evidence that the Tories' popularity is declining.

It is a time for nerves of steel within the Tory Party, unused to being the underdog and again having to consider the potential implications of what appears increasingly like a return to two-party politics.

Yesterday's Cabinet onslaught involved a co-ordinated attack on a Labour Party which, until recently, was not considered worthy of ministerial attention but which has become the priority target.

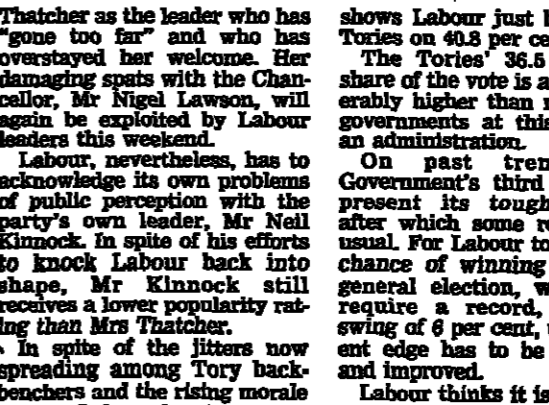
A phalanx of ministers, made uncomfortably aware of Labour's progress after the publication of a Gallup poll putting it 7 percentage points ahead of the Tories, yesterday spoke of their opponents' phoney conversion from old-style socialism to modern liberalism.

While Mr John Major, the Chief Secretary to the Treasury, dubbed Labour the party of high taxation, Mr Nicholas Ridley, the Environment Secretary, accused the opposition of notching up a "criminal record" on pollution.

Mr Peter Brooke, Tory Party chairman, claimed that Labour



John Major (left) and Peter Brooke: renewed attack



John Major (left) and Peter Brooke: renewed attack

Thatcher as the leader who has "gone too far" and who has overstayed her welcome. Her damaging spats with the Chancellor, Mr Nigel Lawson, will again be exploited by Labour leaders this weekend.

Labour, nevertheless, has to acknowledge its own problems of public perception with the party's own leader, Mr Neil Kinnock. In spite of his efforts to knock Labour back into shape, Mr Kinnock still receives a lower popularity rating than Mrs Thatcher.

In spite of the jitters now spreading among Tory backbenchers and the rising morale on the Labour benches opposite, both sides know there is a long way to go.

The Gallup poll in yesterday's Daily Telegraph, which put Labour on 43.5 per cent - its best figure since January 1981 and comfortably above the 40 per cent level required to have a chance of winning power - showed a remarkable turnaround from the previous month, when the Tories were 3 percentage points in the lead.

The scale of the change is, in itself, cause for caution, and Labour's present lead only repeats the position in January 1981, when the Government's popularity reached its lowest point of the parliament. The larger Gallup 9000 exercise, also published yesterday, still shows Labour just behind the Tories on 40.3 per cent.

The Tories' 36.5 per cent share of the vote is also considerably higher than normal for governments at this stage in an administration.

On past trends, the Government's third year will present its toughest test, after which some recovery is usual. For Labour to have any chance of winning the next general election, which will require a record, post-war swing of 6 per cent, their present edge has to be sustained and improved.

Labour thinks it is in with a chance and places great store on the potential impact of measures that have not been implemented - such as the poll tax and the water sell-off.

An important key to how the political map shapes up will be the fate of the centre parties. In paying the price for their bitter separation, they can count on only one in eight voters. One worrying sign for the Government is evidence that, among disenchanted Alliance voters, Labour is attracting support by a ratio of two to one over the Tories.

Tory MPs are prepared for things to get worse before they get better, although if Labour's rise continued, a decade of self-confidence could quickly drain away.

Salomon to advise in power sell-off

By James Sutton

THE US brokers Salomon Brothers International have been approached to advise on the overseas marketing of shares when the two Scottish electricity boards are privatised.

Salomon will advise the Scottish Office, the South of Scotland Electricity Board and the North of Scotland Hydro-Electricity Board on electricity companies' shares being sold in the US and other overseas markets.

The Government's principal stockbroking advisers are de Zoete and Bevan and Bell Lawrie, the Edinburgh broker.

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Tel: 01-828 7233/5699 An AFB member Reuters Code: IGIN, IGI0

FT 30 FTSE 100 WALL STREET
Jun. 17/4/1783 N/C Jun. 21/2/223 -2 Jun. 03/3/113
Sep. 18/1/1824 -1 Sep. 21/2/2202 -3 Sep. 25/3/2551 -12

Prices taken at 5pm and change is from previous close at 9pm

Engineering union claims success over shorter hours

By Michael Smith, Labour Staff

ENGINEERING UNION leaders yesterday claimed a breakthrough in their fight for a shorter working week in the industry when they said that companies were breaking away from national agreements on hours and negotiating individual deals.

Mr Bill Jordan, president of the AEU, the largest engineering union, said union officials had negotiated tentative settlements with about half a dozen companies which conceded a working week for manual workers of less than the 38 hours stipulated in the national agreement. Other companies have approached them with offers, he said.

Mr Jordan was speaking after 550 delegates of all engineering unions met in private to discuss their strategy in the run-up to a ballot of members on whether to take selective industrial action in support of their campaign for a 35-hour week.

He said support for a shorter week was unanimous and shop stewards and conveners would now be going into factories to "let every engineering employer know that we have started our campaign and we will not stop until we have a settlement."

Union leaders will attempt to achieve maximum support from members for the campaign by holding out the possibility of longer weekends. They will be pressing for employers to cut the working week by closing early on Fridays, rather than cut the length of each working day.

The unions are withholding the names of the employers which they say have settled, partly because the companies do not want publicity and partly because no deals have yet been ratified by the Confederation of Shipbuilding and Engineering Unions, which is co-ordinating the campaign for a shorter working week.

The Engineering Employers' Federation said that it had heard of no companies which had broken away from national agreements on hours. However, if the claims were corroborated, it would be a blow to national bargaining.

Talks between the CSEU and EEF broke down last month after the unions rejected the employers' offer of a 6 per cent rise in minimum pay and a 1½ hour cut a week, linked to local productivity deals.

About 75,000 workers in the electricity supply industry are believed to have accepted a 9.2 per cent pay offer recommended by union negotiators in return for a framework agreement on more flexible working practices.

The full result of a ballot expected to be announced on Monday, but 29,000 members of the EITPU electricians' union are believed to have voted in favour of acceptance by 16,992 votes to 7,672.

Blue collar staff learn office skills

By Our Labour Staff

THE local authorities of Ealing and Sheffield have introduced innovative schemes to provide manual workers with office skills in order to tackle growing skills shortages and avoid enforced redundancies.

The schemes are attracting considerable interest from other councils, many of which are having to reduce the size of their manual workforces at a time when white collar skills are in short supply.

According to Industrial Relations Services, the independent research organisation which surveys the schemes in its latest report, the initiatives at Sheffield and Ealing are:

- Helping to solve recruitment and retention difficulties by enabling the councils to grow their own clerical, computer and supervisory skills.
- Using the existing skills and commitment of workers who have lost confidence through unemployment.
- Offering new employment opportunities to women and ethnic minorities who are over-represented in the manual workforce but under-represented among more highly paid white collar staff.

At Ealing, says IRS, courses for blue collar staff aim to provide employees with the opportunity to do their existing jobs, apply for promotion or switch to a different type of job.

The 18 courses include customer care training, job application/interview training, care-taking skills and an introduction to supervisory skills. An office skills training course is run in conjunction with a local college and lasts 10 days.

The council is facing difficulties in filling jobs in all departments which require computing and word processing skills. It found that many manual workers, particularly cleaners and caterers, had experience of other work but felt their skills were out of date.

Sheffield began to train manual workers for white collar jobs last year when it had to shed 1,000 posts and cut spending by £20m.

About 140 former blue collar workers have transferred - or will soon do so - to clerical jobs, which have been slightly understaffed in many cases to suit the new occupants.

While training, workers receive the better of either the lowest white collar training rate or their previous salary. Training is undertaken in-house and largely through work experience.

White Collar Training For Unskilled Manual Workers; IRS Employment Trends, Issue 441; published next week by Industrial Relations Services, 16-20 Highbury Place, London N5 1QP; £3.50.

London schools hire W German teachers

By David Thomas, Education Correspondent

A LONDON education authority is breaking new ground by recruiting teachers in West Germany in one of the most dramatic moves yet to counter the growing problem of teacher shortages.

Havering education authority plans to recruit Germans to teach a wide range of subjects in addition to German itself, as worries mount about teacher shortages in the south-east.

Mr Neil Fletcher, leader of the Inner London Education Authority, is due to hold talks with Mr Kenneth Baker, Education Secretary, on Tuesday about threats of legal action as a result of the authority's inability to educate many children in Tower Hamlets because of teacher shortages.

Mr Barrie Joy, Havering's secondary schools inspector, has completed an initial recruiting mission to the teacher training college in Freiburg.

Four Freiburg teachers will start in Havering's schools in September: one at a primary school, one to teach German and geography and two to teach English.

Mr Joy is returning to Freiburg this month, where he will talk to 150-200 trainee teachers

about working in Havering. "We will be recruiting for a wide range of subjects," Mr Joy said.

Havering like other authorities has particular problems recruiting teachers of science, maths, languages and for primary schools.

Mr Joy said Havering was forging long-term links with the Freiburg college. "We are offering an alternative career path for German teachers."

He explained that the German students, who spoke English well, were attracted to Britain because of high unemployment among German teachers.

Havering could offer them pay comparable to teachers starting salaries in Germany by putting them mid-way up the teachers' scale.

A circular issued by the Government yesterday confirmed that teachers' ability to take industrial action in support of colleagues in neighbouring schools will be curtailed.

The changes to teachers' employment rights flow from the devolution of staffing decisions to school governing bodies contained in the Education Reform Act.

Civil service plans to take on 'outside' specialists

By Michael Smith

GOVERNMENT departments are to hire specialist staff for information technology (IT) and purchasing posts in a move which breaks with the civil service tradition of recruiting "generalists," who are expected to move regularly from one type of job to another.

The announcement by the Treasury is a recognition of skills shortages in both areas and the perceived need to attract a higher standard of workers. It has been strongly criticised by unions representing IT staff who say it will demotivate workers and lead to higher wastage rates.

Under the new arrangements, government departments will recruit senior staff who already have experience in either information technology or purchasing and supply jobs outside the civil service.

Traditionally, the civil service has appointed senior staff in all areas, with a few exceptions such as scientific research, from a pool of recruits who have started in junior posts and been given a general "in-house" training.

The Treasury initiative will also enable departments to hire people on a short-term basis with a terminal bonus worth as much as 40 per cent

of annual salary. This is expected to appeal to IT and purchasing and supply specialists who would welcome the challenge of a large government project but are able to move around employers with relative ease because of the shortage of their skills.

Mr Keith Streams, president of the Institute of Purchasing and Supplies, said that in purchasing and supplies the Government has depended on "generalist" civil servants assisted by a tiny number of purchasing professionals, working as advisers on short-term appointments or secondments from industry.

"That is no way to tackle a purchasing budget of £8.5bn a year," he said.

The National Union of Civil and Public Servants, which represents 18,000 staff in information technology, said the IT initiative would lower entry and promotion standards and separate staff away from mainstream civil servants.

Ms Judy McKnight, assistant general secretary, said the changes threw away a golden opportunity for the civil service to provide good quality jobs in computing, with a view to keeping and retaining its own pool of experienced and motivated staff.

He also dismissed suggestions that the scheme should be replaced by other machinery allowing national negotiations between employers and the Transport and General Workers' Union. This would lead only to higher costs and unnecessary demarcation.

However, on the Labour side Baroness Turner said the industry had itself to blame for creating the need for the scheme. Abolition of the scheme could lead to a core of highly-skilled workers surrounded by casuals.

Other countries such as Holland continued to maintain similar structures to the Dock Labour scheme. The decline of scheme ports could be explained by Britain's lesser role in world trade.

Lord McCarthy, Labour's employment spokesman, said foreign ports were more efficient because greater investment had been made in them.

The Bill was given an unopposed second reading.

Curbs on unofficial disputes supported

By John Gapper, Labour Correspondent

NOTHING remotely like a "summer of discontent" similar to the industrial disruption of 10 years ago is taking place in Britain, Mr John Banham, director general of the Confederation of British Industry, said yesterday.

Mr Banham, who expressed guarded support for further legislation to control unofficial action, said that the industrial disputes in progress at the moment were minor by comparison with problems experienced in the 1970s.

At the same CBI conference on employment law in London, Mr John Monks, TUC deputy general secretary, said the Government's approach to employment law was only satisfactory so long as it was not expected to force full capacity.

He said the real challenge to the Government was to run a successful economy with full employment, which required approaches designed to win workers' co-operation rather than force their acquiescence.

Mr Banham said that if there was any sign that unofficial action was becoming more widespread and premeditated to avoid hallowing obligations under existing employment law, there would be a case for further legislation.

He told the conference, attended by Mr Norman Fowler, Employment Secretary, that privileges which go with legal immunities should be taken away from companies as they do for trades unions.

Most unofficial action is best tackled by managers where it arises, since it is often short-lived and more to do with localised grievances than fundamental principles," he said.

Mr Monks called for employers to back TUC proposals for a new charter of workers' rights, arguing that the Government's programme of industrial relations legislation had failed to bring about a transformation of attitudes.

He said it had promoted a philosophy of management more concerned with coercion than co-operation. A tightening labour market meant the Government had to realise that it had neutralised unions through legislation would be ill-founded.

Mr Monks said that if the law was to command confidence, it had to be seen to be balanced in a way that was manifestly not. No-one would gain if industrial relations law was treated as "a political ping-pong."

Mr Kenneth Black, director of employment affairs for the Chemical Industries Association, said there had been too much employment legislation recently for its value to be properly assessed.

Minister refuses to be swayed by dockers' action

The Government yesterday again underlined its determination not to allow industrial action by registered dockers to alter its plans to abolish the National Dock Labour Scheme.

Lord Brazenor, a junior Transport Minister responsible for shipping, said they were depriving no-one but themselves of a decent future.

"Parliament will not be swayed by their action. Only ports outside the scheme will suffer, at the expense of their pay and jobs. The nation will cope with any disruption they cause and will emerge with the prize of a more competitive port industry," he said.

During a second reading debate in the Lords on the Dock Work Bill which abolishes the scheme, Lord Crickhowell, a Tory peer and director of Associated British Ports, denied that abolition of the scheme would mean a return to the use of casual labour.

The industry has no intention of doing so because modern technology required a permanent and well-trained workforce, he said.

He also dismissed suggestions that the scheme should be replaced by other machinery allowing national negotiations between employers and the Transport and General Workers' Union. This would lead only to higher costs and unnecessary demarcation.

However, on the Labour side Baroness Turner said the industry had itself to blame for creating the need for the scheme. Abolition of the scheme could lead to a core of highly-skilled workers surrounded by casuals.

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Skipping the shipping shambles

Rachel Johnson on how shippers avoid the docks disruption

THE SHIPPING business has had two months to plan how to shift cargoes to the right place at the right time in the event of a docks strike. The dispute, however, is still resulting in extra costs and logistical headaches.

Since April, when the Government announced it was to scrap the National Dock Labour Scheme, ship operators (the owners of vessels) and shippers (the owners of the cargoes) have been laying contingency plans.

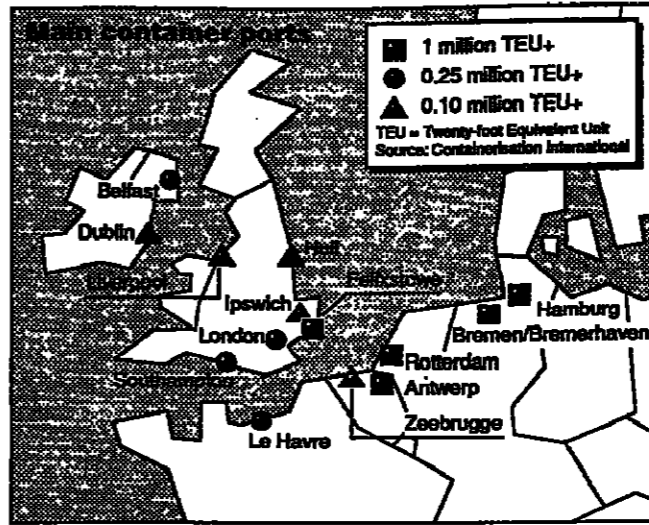
The shipper's nightmare of a cargo rotting in a strike-bound port has so far largely been averted because of such advance planning - but few operators who have had to divert cargoes from striking ports are prepared to disclose their plans in detail.

Some of the shippers' reluctance to discuss diversion plans derives from the fact that the strike has forced changes of allegiance from one port or operator to another.

Shippers, mindful of the history of bad industrial relations at British ports, are trying to keep relations with the dock workers while continuing to serve their customers by getting the goods onto the shelves on time - which means using non-scheme ports.

In broad terms, shippers are taking one of two options to make sure cargoes reach their customers, according to Mr David Asprey, of the General Council of British Shipping.

A cargo of grain due to be unloaded at Tilbury, for example, where the grain division is



on strike, could be sent on a "direct call" to a non-scheme port for unloading, such as Felixstowe.

The alternative is to go to one of the ports on the northern continent, where cargoes can be broken up and brought over in lorries on passenger and cargo ferries.

Diverting cargoes to a non-scheme port usually results in a long wait in the queue for a quay. Felixstowe, which has been picking up much of Tilbury's traffic, has now reached capacity and is not taking bookings.

Use of the continental ports has so far proved the more popular of the two options, neither of which is particularly satisfactory, as both involve more time and expense.

UK operators such as P&O Containers and Cunard are using the north continental ports, Hamburg, Bremerhaven, Antwerp and Rotterdam. The containers - usually unmarked - are put on lorries and then the ferries and can be unloaded at both scheme and non-scheme ports.

Mr David Asprey, of the Council of British Shipping, estimates transhipment from the continent is delaying transit times by an average of 24 hours. The extra costs are more difficult to quantify.

However, some sections of the shipping industry say they believe a strike will not last. Some operators, rather than going to the trouble of diverting cargoes are waiting hopefully to unload outside strike-bound ports.

Strikes begin to affect scheme ports

By Fiona Thompson and Jimmy Burns

DOCKERS were on strike at eight ports yesterday and ship owners and shippers are starting to feel the effects. Men were out for the second day at Liverpool, nearby Garston, Bristol, Tilbury in London, and Lowestoft in Suffolk. They were joined yesterday by dockers at Ipswich, Great Yarmouth and Newport, Gwent.

In Tilbury, local port authorities said that threat of a strike had created "great uncertainty among customers," with a cumulative effect on trade over the past three weeks. Most customers in conventional cargo have anticipated the action by diverting to non-scheme or foreign ports like Rotterdam.

Trade which will be disrupted by continuing action includes grain, forest products, and bulk metals (mainly scrap) which together account for about 3m tonnes annually.

However, the container terminal, which accounts for more than 3m tonnes annually,

was operating normally yesterday, although the union aimed that some of the 370 men had walked out.

In Liverpool, the 1,200 dockers continued the strike yesterday. The Merseyside port, which handles 7.8m tonnes of cargo annually, has seen its trade decline by 50 per cent in the past 10 days, with container traffic down by 80 per cent.

Liverpool handles forest products, cars, scrap metal, grain and bulk cargo. All Jaguar car exports to North America go through the port. The Hapag Lloyd Shipping Line, one of Liverpool's biggest customers, made contingency arrangements six weeks ago, "when the rumours of trouble first started," said the company. They brought these into operation gradually until this week when they took full effect.

"We are using feeder vessels to connect up with the ocean

going vessels stopping at Rotterdam, and ferrying our cargo in or out of the UK using non-scheme ports," Hapag said. The company normally sends 30 containers a week through Liverpool.

In Bristol 480 dockers held an 8am meeting yesterday and decided to stay out for a second day, stranding a ship waiting to load cars for export. Much of the port's 2.6m tonnes of traffic - car imports from Japan and Spain, forest products from Canada and the Far East, bulk cargo and scrap metal - is being diverted to northern European ports, the port authority said.

"There has been clear uneasiness in the past two weeks among the ship owners and shippers using Bristol," said Mr Brian Tunn, marketing manager at the port.

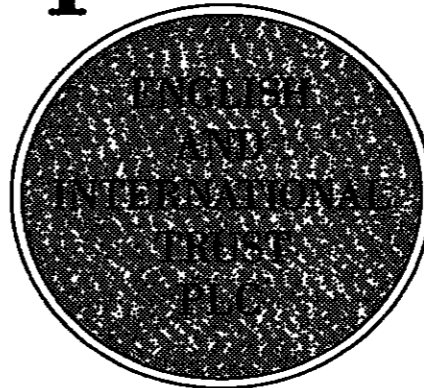
In Ipswich, 119 dockers walked out after a meeting yesterday but have said they will return on Monday. Mr Alan

Hanson, commercial manager, said the port's 4m tonnes of trade had not been affected because the business was mainly short sea containers, which does not need bookings months in advance.

In the Welsh port of Newport, which has a total annual trade of 2.5m tonnes, 100 of 120 dockers joined the unofficial action yesterday, disrupting the unloading of a cargo from Canada. However, the local port authorities said they expected the action to end on Monday and that the bulk of its trade, which includes coal and fruit, would be unaffected.

Sheerness, on the Medway, has not seen strike action but has nevertheless been adversely affected by diversion of trade by its customers. Nine ships carrying 10 per cent of the port's annual fruit cargo have been diverted to the non-scheme ports of Dover and Newhaven and to Zebrugge for transhipment.

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Spectre of stagflation

MR NIGEL LAWSON has had a relatively good week, if a week in which he has had to admit that inflation (measured by the revised retail price index) may peak at not far short of 9 per cent can be thus described. At least it has been a week without stray shots from the battlefield next door and without the sight of sterling plunging further beneath the waves. The Chancellor was even able to mount a robust defence of his record and policies on Wednesday. But even if a week is quite a long time in politics it is not very long for economics. The forces unleashed by the headlong economic expansion which won the Government the last election could still lose it the next.

The good times are behind it. Falling a sharp recession in the near future, the Chancellor may find it impossible to deliver underlying growth of 4 per cent and growth of 3 per cent in any year before the next election. His choice is more likely to lie between sustained growth with underlying inflation above 6 per cent (and possibly accepted as a prolonged period of slow growth with underlying inflation slowly falling back to where it was five years ago. The smart money should be on stagflation: underlying inflation remaining not far short of 6 per cent and growth averaging 2 per cent or less.

Preferred policy

The Chancellor was right in his assertion that the opposition does not have anything better to offer (beyond glee at his plight). Equally, he is right to believe that any differences within the Government over the exchange rate are of no great moment. To the extent Mr Lawson has indicated he is more concerned about sterling, his preferred policy will now be tighter than that of the Prime Minister, just as it was looser in the first half of 1988. The reason for the change is the reversal of the pressure on sterling.

A little over a year ago, base rates were 7½ per cent and the sterling trade-weighted effective exchange rate was close to 97½. Today base rate is 14 per cent, while the effective exchange rate is down to 82. The Chancellor complained about the incongruous upward pressure on sterling in early 1988 (going so far as to call it "unsustainable"), on which he has proved right. It is the current account deficit, however, which he thought to be his main problem, that has given him the combination he wanted.

Sterling's slide raises questions about what the Chancellor's reiterated commitment to a stable exchange rate means.

"We will keep interest rates at whatever level is necessary for as long as is necessary," he asserted. "We will maintain our existing funding policy and our existing monetary techniques. And we will not allow the firmness of our monetary stance to be undermined by a depreciation of the exchange rate." Why then has the effective rate risen so sharply since last December and the rate against the D-Mark by more than 16 pence since February?

Effective rate

Pragmatist that he is, the Chancellor has avoided stating the value of sterling against which the commitment to avoid depreciation is to be judged. The effective exchange rate fell almost 8 per cent since February 1988, just before sterling was uncapped. Against the D-Mark, sterling is still 16 pence stronger than at that time. This suggests that a further sterling slide — if gradual — would not meet the resistance that an incautious reading of the Chancellor's utterances might suggest, particularly if domestic demand remains subdued and the alternative is base rates of more than 15 per cent.

Such an accommodation of stagflation would meet with widespread approval. The balance of informed opinion in the UK is always in favour of accommodating inflation at whatever rate it is at the moment, rather than the cost of lowering it. The Chancellor has not proved greatly out of line with this consensus. The pragmatism characteristic of his long period in office has tended towards choosing the convenience of the present over the risks of inflation tomorrow — until last summer.

The challenge now is to limit damage already incurred. Whatever he does now, the next three years cannot be as delightful as the last three. The Chancellor can choose only the nature of the unpleasantness and the situation he will bequeath to his successors.

The right course will be to retain a tight policy, until the economy is again brought into balance at a rate of inflation consistent with maintenance of competitiveness at a stable exchange rate. It will take courage to stick with such a policy in the teeth of what will surely be some dismal polls. It will be more difficult still in the face of the lack of credibility of the Chancellor's policy of a strong exchange rate. There will be no alternative, however, to both courage and luck if the Government itself is not to sink without trace.



Back to the old men's normality

As always in Peking, there was a queue for the long yellow and red buses that announce their coming with the shrill, loudspeaked voice of a conductress warning cyclists to get out of the way. Farmers with melons stacked on the back of a bicycle trailer were cooing customers into buying low quality at high prices, and a mood of gloom had set in on the street with a small side street with the discordant clanging of Peking Opera. Life in the capital, at least in the Communist Party's view, was returning to "normal" yesterday.

That narrow party view did not take in the troops who jammed out seven to a truck, three trucks to a convoy, to make a point of the presence of the People's Liberation Army. It also ignored the 20 or so soldiers camped in front of the Chinese Academy of Social Sciences, a liberal think tank and prime target for a purge. The Communist Party leadership likes to think that the masses will be content if they have their articulated buses, Peking Opera and flavoured watermelons. It is the same mentality that prompted a Peking official to tell Hong Kong people that they do not have to worry about the police, because the British territory returns to Chinese control. In the party's thinking the people of China do not need democracy, nor do the people of Hong Kong need elections.

The low level of a disturbing, outdated mentality that seemed to be disappearing when I left China a year ago after more than three years as a correspondent. At that time, leaders such as Zhao Ziyang, the party chief, talked of the need for political reform, of making the party more accountable to the people, and of separating party from government in the interests of efficiency. Researchers at the Academy of Social Sciences were producing controversial papers on political theory that would have had them exiled a few years earlier, and the astrophysicist-disident, Fang Lizhi, was chairing afternoon political salons on the grass at Peking University. The economy was in a mess, but there were good reasons for guarded optimism.

Now, Zhao Ziyang has been purged, though the show of hands in a stacked party meeting is yet to come. Writers, sociologists and researchers are at the top of every elderly conservative's hit-list. Fang Lizhi, whose edgy was burned a week ago by anti-democracy protesters given 20 yuan for marching through the streets, has sought refuge at the US embassy. And the people of Peking can inform on a "counter-revolutionary" by dialling 512-6666 and leaving an anonymous message.

The coalition of conservatives running the country is gaining confidence in asserting authority over the trusted institutions, and apparently

feels no pain at having called in the army and slaughtered, probably, hundreds of people, and, perhaps, thousands. For Li Peng, the Prime Minister, last weekend was a "brilliant victory," and another spokesman for the coalition described the carnage as a "life and death struggle" between the party and the country. (Notice that the party comes first.)

While liberals in the leadership had sought to give individuals more room for manoeuvre in the past few years, the networks of control — the internal and external intelligence services and the all-pervasive party structure — were never dismantled. Those institutions are now being used in the crackdown against pro-democracy activists. It is in the interests of the officials running those institutions to exaggerate the threat posed to the party and to the present leadership of the individuals arrested and summarily tried. To be charged in China is to be convicted.

Li Peng and his comrades are particularly bothered by the emergence of networks of communication outside their control. They are obsessed by power. People are so frightened now, I can't believe how quickly things have changed," a young Chinese woman says. "Now we will just go to work on our bicycles, do our job, and return home. We are just small potatoes."

The authors and editors of that report. And one can only fear for the safety of Chinese friends and contacts, individuals who know there was a long-term risk in associating with foreigners in a country that has a long history of officially fuelled xenophobia. What of all the officials I interviewed who surprised me with their readiness to challenge the orthodox? Will they just be transferred to meaningless positions or will they be punished more harshly? And what of the workers, who, inspired by the activism of the students, organised protests and strikes in factories and offices? Sacked or worse?

The party's strategy is to use people against people. The counter-revolutionary hot line is part of that process. "People are so frightened now, I can't believe how quickly things have changed," a young Chinese woman says. "Now we will just go to work on our bicycles, do our job, and return home. We are just small potatoes."

'Now we will just go to work on our bicycles, do our job, and return home. We are just small potatoes'

Our bicycles, do our job, and return home. We are just small potatoes."

The manager of a small store in the south of Peking says he wants to ignore last weekend and is afraid of getting involved in politics, though he supports the aims of the students. "There was really no reason to use the army," he says. "But what can we do about it? The masses have no weapons. Only the army has weapons."

That sense of powerlessness is amplified by the presence of the army, which now smiles with AK-47s and random bursts of gunfire in the streets. The Chinese army, like the country, controlled by elderly men who claim to have retired, but who still run an old-boy network that has far more influence than the National People's Congress, the Chinese par-

protests, and is not sure how many people died. "I supported the students' ideas, but there was some chaos. Maybe something had to be done. Nothing will happen to me now. I will be all right. All of my friends will be all right."

None the less, time is against the old men. The members of the elderly coalition are all octogenarians, and all have health problems. Of late, Deng Xiaoping, the paramount leader, has needed regular doses of oxygen.

Perhaps the conservative coalition will ease up on the rhetoric. Perhaps this talk of counter-revolutionaries is self-justification that will evaporate in the next few weeks. Perhaps Li Peng, the Prime Minister that everyone loves to hate, is not, as many Chinese like to call him, "a puppet", and is merely a technocrat who will be less brutal when his wounded pride heals. (Li asked that masking tape be stuck on the cover of a foreign news magazine that last week portrayed him as a Nazi.)

At best, however, China is entering a period of profound mediocrity. The gerontocracy is agreed on the need to assure its control, but divided on almost everything else. Economic reform is over for now, so expect more central controls on planning. If the present faction retains power, expect a more politicised China, with more political "criminals" and political re-education to overcome "bourgeois liberalism" — the illness that has irritated the elderly leaders for the past four years. In a recent speech, Deng said that a 1986 campaign had been pursued more ruthlessly, would have wiped out "bourgeois liberalism," and students would not have protested.

Sadly, the present leadership does not care much for what foreign countries think about China. Nor are they obliged to work to parliamentary deadlines. As the great Chinese strategists have always done, they will take their time — to the frustration of critics and opponents. They are unaccountable and, for the moment, untouchable.

One Chinese thinker discredited by the party, Confucius, had a few thoughts on the subject, thoughts that were in the minds of students risking all for a greater cause than graduation. Confucius was asked by a disciple which of the three requisites of government — food, military equipment, or the people's confidence in their rulers — should be first dispensed with in time of trouble.

"Military equipment," the master said. The disciple asked again: "If it cannot be helped, and one of the remaining two must be dispensed with, which of them should be forgone?" The master said: "Part with the food. From the earliest times, death has been the lot of all men, but if the people have no faith in their rulers, there is no standing for the state."

At their annual general meeting next month, shareholders of BSN, France's leading foods group, will have the chance to vote on a resolution extending the company's mandatory retirement age from 75 to 80.

Even under the old limit, Mr Antoine Riboud, BSN's chairman, had five years ahead of him, but the subject of a recession — something which has been raised repeatedly for 15 years or more — still irritates him profoundly. Besides, it is clear from Mr Riboud's personal relish that the five biscuit and crisp companies he has just bought from RJR Nabisco are not intended as a parting gift to his successor; he plans to get full enjoyment from them himself.

The new brands, such as Smith's Crisps in the UK or Belin Crackers in France, will reinforce the portfolio of this consummate salesman. "If he met the Pope, he would certainly convert him to Evian water for the Vatican fountains," commented his younger brother Marc, a well-known photographer. The price of 52.5bn will bring additional debt service costs; it is clear the purchase will hit BSN's results in the short term.

Mr Riboud is confident that he can digest the acquisition, however, and his digestive experience in 24 years at the head of the group is substantial. Starting with the Lyon bottle-making company Souchon-Neuvesel, which he took over from his uncle in 1965, Mr Riboud first set about building France's leading glass group. He took a substantial step in this direction in 1966 by merging with Boussois, a flat glass maker in the north of France, to form BSN, but two years later he ran into a wall with an unsuccessful bid for St Gobain, the country's top glass group.

His impudence in launching France's first hostile takeover bid against the stately St Gobain, fresh from celebrating its 30th anniversary, raised the hackles of the Paris financial establishment, and the paper offer failed. Baulked in one direction, BSN struck out

MAN IN THE NEWS

Antoine Riboud Healthy appetite which takes the biscuit

By George Graham



in another, buying up in 1970 three large customers for its bottles: first Evian, the mineral water, and then Société Européenne de Brasserie and Kronenbourg, with 40 per cent of France's beer production between them. Mr Riboud continued, however, to develop his group's glassmaking activities both in West Germany, where its subsidiary Flachglas became the country's leading flat glass producer, and in Belgium, where BSN took control of Glaverbel.

Yet in the same year, BSN took the decisive step that was to lead to its conversion from glassmaker to foods group, with the acquisition of Geraval-Danone, the world leader in yoghurt and dairy products with a range of other brands, such as Panzani pasta and Galia baby foods. This diversification did not win universal applause, and while the newly acquired food division steadily

lost market share, the plate glass operations, hit by the float glass technological revolution, fared far worse, bringing BSN into the red in 1975.

BSN's decision in 1979 to become a full-time foods company by selling its plate glass operations outright to Pilkington of the UK, nevertheless stunned competitors and shareholders. Mr Riboud explained that, "In the two years to come, we will need money to get through the crisis. I had to choose between glass and food, both of them greedy for capital. I chose food."

Since that decision, Mr Riboud has had his successes and his failures, but he has managed to build up an impressive range of brand names, from Amora mustard to Pommery champagne and Liebig soups. Among the successes was the acquisition of Générale Biscuit in 1986. The new divisions acquired from

Nabisco, including Jacobs in the UK, Belin in France and Saiva in Italy, will take BSN into the lead in the European biscuit market.

Among the failures, on the other hand, was his attempt in 1985 to win Buitoni, the Italian pasta and sauces group. Mr Riboud appears to have retained a lasting antipathy for Mr Carlo de Benedetti, who gapped him at the last minute, only to sell Buitoni on to Nestlé last year. The silver lining to this setback was that it helped to cement an alliance with Italy's Agnelli family, who have themselves crossed swords with Mr de Benedetti on occasion. Reinforced by cross-shareholdings, BSN and the Agnellis have since embarked together on a string of acquisitions in southern Europe. "In countries like Spain and Italy you need a godfather, and we decided to choose the best godfather pos-

sible," he said at the time.

Mr Riboud found the UK equally difficult to penetrate, and he has been the victim of HP Foods, including the notorious sticky brown sauce along with the less glutinous Lea & Perrins, gave him his "royal road" into the British market.

"Everywhere else in Europe, except Great Britain, will be competing on equal terms with our competitors. It was a gap which had to be filled," Mr Riboud said, explaining that food is becoming both more universal and more tasteless, that the British will not only import more foreign foodstuffs but also buy more sauce to pep them up. "What comes to save food from banality? The sauce. Look at the fantastic growth of fast food; what could be more banal than a hamburger? What is the danger of being banal is the ketchup," he mused, adding that the best ketchup was, of course, his own Amora brand.

Unlike his brother Jean, who died in 1986 after 20 years as the aloof and authoritarian head of the oil services company Schlumberger, Mr Riboud is a sociable and chatty industrialist, as happy to talk about his private vineyard near Aix-les-Bains as he is to expound his theories about bland food.

His meditations range further afield, too. In 1978 he scandalised the annual conference of the Patronat, France's employers' federation, by calling on his fellow industrialists to manage with their hearts, as well as with their brains, to negotiate with their employees and to accept their social responsibilities. More recently, he delivered a report to Mr Jacques Chirac, then prime minister, on how to manage modernisation in industry. The answer, somewhat cruelly abbreviated by Paris reviewers, was "copy BSN." But it is enthusiasm for his products that really gets Mr Riboud going, after 24 years as BSN's chairman. With nine-and-a-half years to go before he reaches the company's new retirement age, the question is whether his heirs apparent can maintain the same appetite.

Oh well, YOU CAN BE SURE OF SHELL



Christopher Bobinski reports from Warsaw on Poland's future
A political void opens



Lech Walesa (left) and Bronislaw Geremek at talks with the Government

Little has changed on the surface in Poland after last week's electoral disaster for the Communists. The country seems to be in the moment between when a stone hits glass and the shattered pane crashes to the ground.

The election has left the Communists in power without any mandate to rule and the Solidarity opposition with massive support but wary of getting involved in government. The population is still bemused at the extent of its triumph after 44 years of Communist rule.

The challenge now is to win time for the Solidarity leadership to prepare itself to take up a governing role and, more important, bring Poland's Warsaw Pact neighbours, including the Soviet Union, around to the idea that they can live with a non-Communist government, or at least a Poland run jointly by the Communists and Solidarity.

prime movers of the reform pact arrived at by the regime and the opposition in April. In contrast, Solidarity's candidates for the 25 per cent of the Sejm open to electoral competition sailed into place and a mere eight failed to win half the votes required to get into the 100-seat Senate, where most are assured of a victory in a second ballot on June 18.

The results dismayed the authorities but they soon admitted defeat and called on Solidarity, the evident victors, to take "co-responsibility for the state." It was an invitation to enter the Government, which Solidarity was quick to refuse.

were "over-dramatising" the situation, he sounded like a pilot with two engines out of action, and the steering failing, telling the passengers that everything is under control, knowing that if they panic he has little chance of a safe landing.

Both sides, confronting a sudden void, clutched at the "round table" agreement they had signed in the spring after two months of talks, which commits the authorities to a programme of gradual political and economic change. It also guarantees the Communists and their allies a majority in the Sejm, and Mr Geremek was quick to confirm the inviolability of this "contract." Mr Walesa reiterated this unequivocally yesterday in Gdansk: "I don't want to break my word and destroy the whole round table."

Despite the crushing weight of Solidarity's victory therefore, the key office of president, with its wide-ranging powers over the military, inter-

national security and foreign affairs, will remain in Communist hands. Though this may disappoint Solidarity's more militant supporters, the movement's leaders clearly feel that only a carefully judged and gradualist approach can win backing from the Soviet leadership and Poland's eastern bloc neighbours.

But first Poland needs to get through the second round of elections next Sunday, when the establishment candidates, who almost all failed to get elected the first time around, will be competing against each other on a first-past-the-post basis. Once the deputies are in place, the two chambers can by the end of this month elect a president, who can then propose a Prime Minister to be approved by the Sejm. The government which emerges may be weak and transitional if Solidarity plays no part, but both sides recognise this as better than the present power vacuum.

The party leadership has set the next central committee meeting for June 28, by when it hopes that most of the decisions will have been made. For it is clear that a meeting now would sweep away the reformers around the President, General Wojciech Jaruzelski, given the mood in the party apparatus, angry at having been forced into what it sees as disastrous elections.

The Soviet Union provides an umbrella, and the fact that significant sections of the Polish army showed by voting for Solidarity candidates this week that it could not easily be used for a return to martial law, any hardline shift in the Soviet political balance would immediately give the signal for the conservatives in Warsaw to leap at Solidarity's throat.

Assuming that the present party leadership can survive the next few weeks, the party is in uncharted territory. There is already talk of defections. Self-styled social democrats inside the party say they are intent on setting up a new grouping, and Mr Alfred Miodowicz, the head of the OPZZ official trade union, has served notice that his movement wants to organise a "labour party" to represent its interests.

The Solidarity leadership faces two serious problems. Its advantage is the massive vote its candidates received, and Mr Walesa's enormous fund of prestige. Initially, people in the streets received the news of what they had done to their government calmly, maybe disbelieving that this was the way things would change, and certainly sobered by the daily coverage of the tragic events in China on television. Nevertheless, as soon as the effect of what has happened sinks in, people could well demand more radical policies from their leaders than just staying in opposition. There are already signs of radicalisation in the calls and

letters coming in to Solidarity headquarters protesting at the movement's agreement to give the hapless national list candidates a second chance to get into Parliament. The radical mood will be fuelled by a deteriorating economic situation in coming months, as inflation mounts and the \$40bn foreign debt continues to weigh heavily on the country. Indeed, Solidarity could well find itself having to come out against strikes in coming months.

It could also begin to splinter. The seeds of new political parties are well embedded in the opposition's consciousness. Christian Democrats and free market liberal groupings are certain to continue to grow outside Solidarity as well as inside the movement. The Solidarity Parliamentary group is not ideologically uniform, even though its members are in the hands of social democrats. This, too, will provide a source of future conflict.

The formula is an unstable one, whichever way it is examined, and General Jaruzelski's visit to Brussels and London over the weekend will be devoted, no doubt, to making this point. Poland, he will reiterate, needs relief now more than ever on its debt burden, and, if there is to be any hope of a future financial support from the West will have to be forthcoming. Any ugly finale to Poland's latest dash for democracy could prove fatal for the prospect of change in the Soviet Union itself.

The decision this week by the Cabinet committee on broadcast-casting, chaired by Mrs Thatcher, to put Britain's commercial broadcasting licences up for auction to the highest bidder sets a new precedent.

Until now, everywhere in the world, broadcasting has been considered too important and too central to the national sense of identity to place in the hands of unfettered market forces. The "beauty contest" where competing applicants parade their programme offerings and skills before committees of the "great and good" has been the standard method of allocation.

Even in the US, broadcasting licences have been awarded, not not auctioned off, by the federal authorities. France sold off its first national television channel, TF1, to the private sector in 1987, but did so after fixing a price and then choosing between those who were prepared to pay it.

New Zealand, according to National Economic Research Associates, the communications consultants, comes closest to auctions with plans to allocate radio spectrum rights to the highest bidder, although there will also be subsidies for public service programmes.

There is, however, no obvious parallel for the scale of the British decision. The licences of all 16 ITV companies - all but the tiniest, the Channel Island company, are publicly quoted companies - will go to the highest bidder for 10 years beginning January 1 1993.

In theory every single ITV company from TV-am to Granada and Thames to Gramplan could lose its licence to broadcast. That is highly unlikely, as the incumbents should be in a strong position to know just what a particular franchise is actually worth. It seems certain, however, that there will be a greater turnover of broadcasters than in the past when the Independent Broadcasting Authority tended to throw one, or at most two, sacrificial victims to the wolves.

Raymond Snoddy examines the decision to put Britain's commercial TV licences up for auction
Television, art and market forces

This (the highest bids procedure) will change the nature of the system entirely and the nature of the regulatory body," says Professor Martin Cave, professor of economics at Brunel University, who spoke at a seminar on the deregulation of commercial television this week. Broadcasters would come under irresistible pressure to alter schedules as far as possible in favour of profit maximisation. As a result any attempt to guide broadcasters away from such a formula towards fulfilling a "public service" role would have to be specified "in a legally enforceable way."

There is also a danger of over-bidding, either by those who do not fully understand the television market or by those determined to become broadcasters at almost any cost, just as in the past the power have been happy to pay large amounts for loss-making newspaper.

It is virtually impossible to make any precise prediction on what ITV franchisees might be worth; there are still too many unknown variables. Some analysts suggest, however, that the London weekday franchise, now held by Thames Television, the largest ITV company, could attract bids of up to £400m, with a yearly levy on top.

The idea of competitive tendering for broadcasting licences surfaced in the Peacock Committee report on the future financing of broadcasting in 1986. The recommendation was adopted by a 4-3 vote in the committee and was accompanied by a stipulation that the IBA should have discretion to reject the highest bid but should publicly state its reasons for doing so.

It fitted well with the Government's dissatisfaction over the way ITV franchises had been awarded previously - a process seen as opaque and subjective. Mr Douglas Hurd, the Home Secretary, in particular, was determined to have a more open and objective test.

After a long debate within the Government, competitive tendering found its way into the White Paper on Broadcasting last November. Applicants would first have to pass a "quality threshold" and be prepared to fulfil obligations such as the provision of quality national and international news, current affairs and regional programmes.

The final choice, however, would be made in a lump sum auction and successful broadcasters would also pay a continuing levy on advertising revenues throughout their 10-year licences.

The debate about the precise form of tendering continued until Tuesday's Cabinet meeting, with the Treasury arguing for a straight-

forward auction which would maximise revenues. The Home Office argued for a more elaborate process which would give more weight to the quality of applicants' programmes and business plans and allow the new Independent Television Commission the discretion of choosing the highest credible bid as opposed to merely the highest.

The Home Office is claiming a victory, since, it says, an element of discretion has been saved. After the auction, the ITC will be able to review the initial applications of the winners to make sure they are capable of carrying out what they promised and able to pay for it.

The Home Office is currently in discussion with the Department of Trade and Industry support, headed off the Treasury desire to privatise the other commercial channel, Channel 4, with the argument that if were

completely privatised it would be unable to continue with its innovative programming.

The Government must now decide what form the auction of licences should take and how to protect diversity of programming once licences have been awarded.

Professor Cave has been looking at the problem of post-auction programme standards. He says one possibility would be to adopt the Australian system where broadcast areas are awarded points for particular programmes, with premium points for programme-types such as religion and the arts. Broadcasters would be set a minimum number of points they had to achieve to retain their licences. Another possibility would be minimum quotas of hours for particular programme-types.

The irony is that an auction system designed to achieve maximum clarity and simplicity might actually lead to greater complexity. A bureaucracy might be required to adjudicate on programme type and content, if the Government's prime aim is to be achieved - that good programmes should increase with the introduction of choice and competition.

Refuge of last resort

From Mr Michael Le Queux. Sir, While the earth of Hong Kong might reasonably be considered China's, the people and their spirit are not. They must never be forcibly handed over to a brutal self-contained feudal leviathan for whom world opinion is an irrelevance.

The immorality of the 1987 "settlement" has been well covered: the original assumption that the whole territory must inevitably be handed over to China; the patronising refusal to allow real self-determination for Hong Kong; and most damning of all, the refusal to grant a means of escape for its people.

The edifice of trust was based on China's apparent new-found willingness to conform to the standards of an international world. Then came the grotesque events of last weekend in Peking.

The British Government may hope for the best; we must plan for the worst. Britain must vigorously lobby for and underwrite an international agreement to evacuate Hong Kong people if circumstances demand it.

The well educated and industrious population could be distributed at the very least, within the EC - and, I hope, beyond. It is highly unlikely that Britain would ever have to absorb millions of refugees.

Michael Le Queux, 3a, 12-14 Wong Nei Chong Gap Road, Hong Kong.

Danger of 'stop-go'

From Mr Howard Flight. Sir, In a climate of increasing fiscal surplus it was natural, last year, to use interest rates to check overheating pressures from the private market. In 1989 the objective of interest rate policy has subtly changed to that of sustaining sterling - with the risk that high interest rates will cause stagflation, if not a recession.

Interest rates as the sole lever of UK economic policy are no longer appropriate to policy objectives. Visibly, interest rates have been the main cause of rising UK wage inflation; an average increase of 10 per cent in income merely to match increased housing costs. Moreover, with much of the economy, in both the private and public sectors, unavoidably still subject to monopoly pricing and lacking the discipline of competition to resist wage claims, it is a very long term hope to believe that high interest rates will eventually check wage inflation.

High exchange rates also serve to redistribute wealth from people in the 20-40 age group - typically overstretched with large mortgages and young families, who have already been sufficiently squeezed to push for pay increases in favour of people in the 40-60 age group, who may or may not save more.

UK economic objectives must be to restrain consumption and import growth and to channel a large proportion of a sustained and growing national output into exports. There is presently the risk that high interest rates and sterling strength will reduce consumption growth - but not induce an offsetting rise in exports. Unit production costs may also increase as a result of a slowdown in volume output.

First, in addressing what combination of measures is suitable, the option exists (in addition to rationing credit by price) of controlling the availability of credit through operating on bank ratios (a policy presently being implemented successfully in Spain). This is not to recommend unwieldy direct credit controls. The significant flaw in the early 1970s "competition and credit control" was to conclude that rationing credit by price was the only (let alone the most desirable) monetary option. Second, more could and should be done to stimulate personal savings. The improved PEP (personal equity plan) legislation is still too bureaucratic to have enough immediate impact. A more radical approach, extending capital gains tax roll-over relief to the movement of investment among all forms of assets (be they securities, property or other), and levying capital gains tax (CGT) on the accumulated gain when savings are consumed, should be a direct (and fair) stimulant to a higher, sustained level of personal savings.

The cap looks back to front

From Mr Hyman Wolanski. Sir, The Government wishes to reduce tax relief in respect of approved pension schemes by introducing a salary ceiling (£60,000 a year, subject to increases in line with price inflation) on earnings which qualify for benefits. There has been much criticism of comment on these proposals, but almost no comment on the alleged quid pro quo for the imposition of this salary ceiling - that is, the introduction of unapproved schemes (which can be funded on unfunded) to provide unrestricted benefits on earnings above the salary ceiling.

But the proposed tax treatment of unapproved schemes which are funded is unjustifiable, and will result in very few, if any such schemes being established.

It is proposed not only to tax the investment income of such schemes, but also to tax the members on the employers' contributions to the schemes. The resulting benefits, however, will be tax-free. Surely this is back-to-front taxation: the members would be taxed on the benefits long before they actually receive them.

Employers seeking to set up such an arrangement will be under pressure to increase the members' gross earnings solely to compensate for the income tax the members will have to pay on their employers' pension contributions. This would lead to a distortion of corporate salary structures, and therefore an employer seeking to provide retirement benefits on earnings above the salary ceiling would have to resort to an unfunded arrangement.

Unfunded schemes will avoid the bizarre tax treatment of funded schemes, but they suffer from the serious disadvantage that they provide no security at all for members if the employer's business fails - unless some type of insolvency insurance can be introduced. Would it not be better to encourage the introduction of funded arrangements for earnings above the salary ceiling by the simple change of not taxing the members of unapproved funded schemes on the employers' contributions, but instead, taxing them on the resulting benefits when they are actually paid? Hyman Wolanski, Wolanski & Co, 4 Bloomsbury Place, WC1

Letters

From Mr Brian Dowling. Sir, The reprehensible practice of wearing "made-up" ties to which Mr Osman Streeter refers (Letters, June 3) is but one more instance of the decline in sartorial standards to which not only the City but the nation has sunk.

Proper tying of one's dress necktie is no more difficult than the tying of one's boot-laces. Unfortunately the expedient to which he recommends we resort, that of wearing informal dinner dress with the concomitant black tie, will not answer - unless one also commits the solecism of wearing a soft turn-down-collar-attached shirt: a quirk of fashion of whose encouragement no less a personage than the late King Edward VIII was reportedly guilty, and which has since frequently not been observed in Royal circles.

Brian Dowling, Saville Club, 69 Brook Street, W1

From Mr Derek Froomeberg. Sir, In response to Mr Osman Streeter (Letters, June 3), I must refute the alleged demise of the real bow tie in favour of the inferior pre-tied clip variety, and salute the City livery companies' attempts to uphold the tradition of dining in white tie and tails.

Although current trends lean towards "clothes of convenience," nothing can rival the sartorial elegance of a "real" bow tie. Indeed, the "real" bow tie is enjoying renewed popularity. Recent sales figures indicate that this is likely to continue.

It is a common misconception that the classic bow tie requires a complicated knot. As the diagram illustrates, this is by no means the case. Derek Froomeberg, Chairman, Guild of British Tie Makers, c/o Davies Court House, Davies Court, High Street, Esher, Surrey

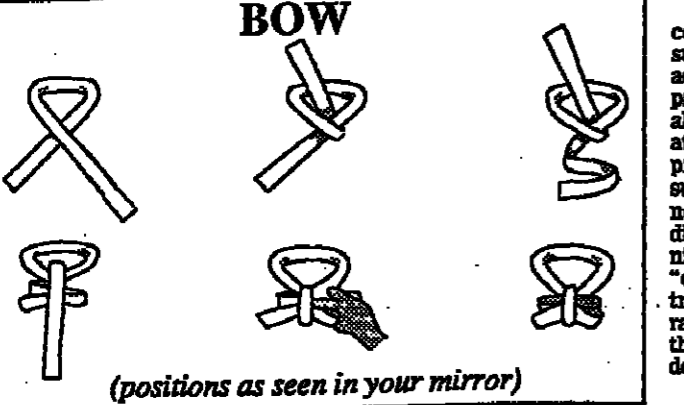


Table with columns: Building Society Investment Terms, Applied Rate, Interest Rate, Minimum Investment, and Access and other details. Lists various investment options from different building societies.

UK COMPANY NEWS

Edelman's conditional 185p offer gives £755m valuation Storehouse dismisses bid approach

By Maggie Urry

STOREHOUSE, Sir Terence Conran's retail group, yesterday dismissed a conditional bid approach from Mr Asher Edelman, the American entrepreneur who has built up an 8.1 per cent holding in the group.

Mr Michael Julien, group chief executive of Storehouse, said the approach was "neither an offer nor a firm intention to make an offer". If Mr Edelman made a firm offer it would be considered, but until then Storehouse saw "no purpose in meeting Mr Edelman".

Mr Edelman said the offer, which among other things was conditional on Storehouse recommending it, would be worth 185p a share. That would value the Habitat, Heal's, H&M, M&S and Richards group at £755m.

Storehouse shares rose 8p to 182p but closed below the highest price reached during the day as investors' hopes for a firm bid faded.

Mr Edelman has been pursuing Storehouse since December, when he first wrote to Sir Terence asking for a meeting. Storehouse has refused to meet him and Mr Julien has repeatedly said Mr Edelman should "put up or shut up".

In March, Mr Edelman said he was considering making a bid and the Takeover Panel said an offer period had started.

Yesterday's approach was made in a letter, delivered by hand to Storehouse at lunchtime. Mr Edelman said he

hoped Storehouse would agree to meet him but he had no further comment to make. Yesterday he left for New York.

The letter said Storehouse's financial performance had "dramatically deteriorated" since Mr Edelman first bought Storehouse shares before Christmas last year. On June 1 Storehouse revealed a sharp drop in annual profits from £114.5m to £11.3m after exceptional provisions of £98.4m.

The other conditions in yesterday's letter were that Sir Terence Conran should accept the offer for his 7.2 per cent shareholding, that certain information was given to Mr Edelman, and that Mr Edelman succeeded in finalising finance for the bid.

Stockbrokers suggested that Mr Edelman was really trying to flesh out a buyer for his shares, which are now worth much less than the average price he paid for them, thought to be between 185p and 190p.

Before the stock market crash in 1987 Moundleigh, a property company, offered to pay 445p a share for Storehouse also conditional on the board's agreement. That approach was refused. It was followed by a bid from Benlox, a tiny engineering group, which Storehouse fought off.

Coincidentally, it was disclosed yesterday that Mr Julien bought 10,000 Storehouse shares on Thursday at 155p a share.

See Lex

BDDP to let bid for BMP lapse

By Nikki Tall

THE LONG-RUNNING bid battle for UK advertising agency and marketing services company, Boscio Massimo Pabst, finally moved closer to its resolution yesterday as the French predator, Boulet Dru Dupuy Petit, announced that it intended to allow its leveraged offer for the group to lapse.

This appears to leave the way clear for BMP's white knight, the New York-based Omnicom group, Omnicom has already topped BDDP's 345p a share cash offer by bidding at 365p a share, and won a recommendation from BMP.

Yesterday, BDDP said that it believed its own offer fully valued the group, its advisers said that funding had not been a constraint and the French company could have matched or topped the Omnicom bid if it wished. BDDP has built up a 15.6 per cent stake in BMP and, although it has not yet sold this, stands to make a profit of around 24m before taxes.

Sea Containers searching for alternatives to break-up bid

By Andrew Hill

SEA CONTAINERS, the Bermuda-registered containers and ferry group, is searching for alternatives to the \$92m (£59m) break-up bid from Tipton and Stena. Possibilities include a friendly counter-bid or a leveraged buy-out.

The group yesterday condemned the offer as "unfair and opportunistic", adding that it was "inadequate and not in the short or long term interests" of shareholders.

It also suggested that Stena, a privately-owned Swedish ferry operator, might have failed to disclose certain material information about its past and current activities which could make the UK and Bermuda governments unwilling to give the bid the go-ahead. No further details were revealed.

Tipton, a UK container rental group, and Stena, are offering \$50 a share for the Bermuda group, which owns Sealink British Ferries. But Sea Containers shares have been trading in New York at more than \$50 each, rising again yesterday.

Among alternatives to the bid being explored by Sea Containers are financial restructuring, or recapitalisation; the sale of interests in the company or its subsidiaries; the winding of a "white knight" which could mount a friendly counter-bid; and a leveraged buy-out.

The group said it aimed to "enable shareholders to realise greater value for their common shares while at the same time giving them the opportunity to remain shareholders for the longer term should they wish." Sea Containers also made clear that it would not waive certain by-laws which require

a predator to win acceptance representing 90 per cent of the shares before amalgamating with its target.

That could lead to a fierce legal battle, because 28 per cent of Sea Containers' stock is in friendly hands. Mr James Sherwood, the group's general president, holds 7.1 per cent of the shares, and Sea Containers subsidiaries and management speak for a further 20 per cent; at least although recent purchases by the group are subject to legal action in Bermuda.

Mr Sherwood waited until the 10-day deadline was nearly up before rejecting the offer, issuing an announcement in New York well after the close of London trading.

Stena already owns some 8.9 per cent of Sea Containers, a holding which has itself been challenged by the Bermuda group in the US courts.

Restructure hits Brown Shipley profits

By David Lascelles, Banking Editor

BROWN SHIPLEY Holdings, the City merchant banking and financial services group, suffered a sharp drop in profits last year, largely because of the costs of a major restructuring effort, and weaker financial markets.

However Mr John van Kuffeler, the group's new chief executive, said that as a result of the reorganisation, he was now "very positive about the future".

Pre-tax profits were £2.95m in the year to March 31, down from £5.91m last time, while at the operating level they were £2.74m, down from £10.41m. Taking into account the profits from sales of subsidiaries, the group made a total after tax profit of £4.55m, up from £4.2m.

The directors are recommending a maintained final dividend of 6.15p, bringing the total to 10.5p, the same as last year.

Since Mr van Kuffeler took over, Brown Shipley has

rationalised many parts of its business, sold two subsidiaries and reduced staff by 13 per cent. Central overheads are also down by 25 per cent. Mr van Kuffeler said yesterday that he believed the group was now better balanced and able to move forward.

The total cost of reorganisation and redundancies was £1.2m.

Because of the changes, Brown Shipley has decided to disclose greater details of its performance than before. It also said that the latest year had seen no transfers to or from listed reserves.

Among the group's three operating divisions, merchant banking's pre-tax profits fell to £5.6m from £7.6m. Within that figure, there were improved contributions from lending, lease management and off-shore operations, but declining ones from corporate finance and development capital. US investment banking's contribu-

tions were unchanged. Treasury operations made a loss, but following staff changes are now back in profit.

Insurance broking did well, earning £3.4m, up from £2.7m. Investment management and stockbroking suffered from the slump in the stock markets, reporting a loss of £2.3m, compared to a small profit of £138,000 the year before. Most of this loss was suffered by the investment management side, but Mr van Kuffeler said the division had managed to retain its market share and was now trading profitably again.

Overall, Brown Shipley said: "We have a strong and liquid balance sheet and have reduced significantly the costs of our business. The restructuring of the group is now substantially complete, and the current year has started well."

COMMENT
There is no mistaking the more vigorous style of Brown Ship-

ley's new management, and its determination to identify and develop profit opportunities.

Overall, the group's performance in the first few months appears to be paying off: even the stockbroking side is now managing to stay in the black despite the recent fall-off in bargain volumes. The group's businesses are comfortably diversified both in terms of product and market, though it is noticeable that the strongest contributors to profit continue to be the most traditional elements - lending and insurance broking - so profit is still needed that ventures into securities are called, improving can earn their share. Gone are the days when Brown Shipley's shares were buoyed by takeover talk: over 40 per cent of the stock is now in the hands of continental friends. So the share price is more a reflection of performance to judge price and value. The shares gained 2p to 353p on the results where they yield around 3 per cent net.

Isosceles claims over 23% of shares in Gateway

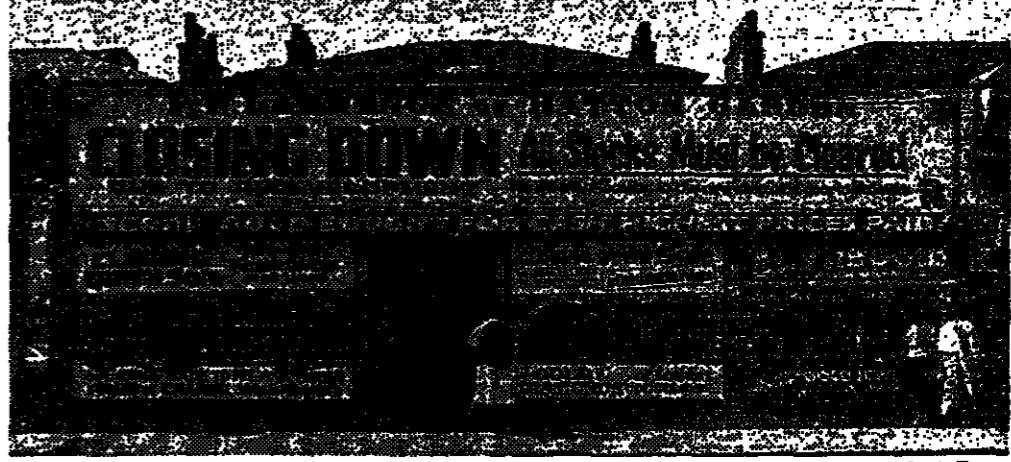
By Nikki Tall

Isosceles, the newly-formed company which is making a £1.57m leveraged bid for food retailer Gateway, yesterday confirmed that it picked up 14.4 per cent, or 18.2 per cent, in its target on Thursday.

The bidder already owned a 5.6 per cent stake, and once acceptance is received and shares owned by parties acting in concert with it are included, Isosceles claims to control over 23 per cent of its target.

The bidder is understood to have made some extremely modest additional purchases yesterday morning, but trading volume was slight, with well below one per cent of Gateway's shares changing hands.

The price closed at 210p, which is 2p above the offer price on the table from Isosceles.



As Owen & Robinson prepares to move a branch in Lewisham, south London, to new premises nearby, the jewellery chain announced further expansion with the acquisition of 11 more outlets

'Disappointing' rise to £510,000 at acquisitive Owen & Robinson

By John Riddling

OWEN & ROBINSON, the Essex-based pawnbroker and retailer of chunky and cheerful jewellery, had an eventful 1988.

It weathered a robbery which nearly closed out its wholesale business and aborted an acquisition at the last moment when the target company abruptly raised its asking price.

Now, under new management it is buying property and making a start at building a new retail chain of stores to finance the deals, reduce borrowings and boost working capital.

The acquisitions, which comprise Gordon & Seymour, a Jewellery Jewellers, and the Midlands and the Midlands, are companies for a total of £26m, are the first purchases since Mr Maurice Dwek became chairman in February.

His appointment followed the amassing of a 24 per stake

in Owen & Robinson by Seaforth Investments, a private lease and lighting company, of which Mr Dwek is a co-owner.

Yesterday's announcement of the acquisitions coincided with the release of the company's results for the eight months to January 31.

Pre-tax profits for the period were £510,000, compared with £238,000 for the year to May 31, 1988. Mr Dwek described the rise as "not particularly pleasing," because the figures did not include the first four months of the trading year when business is invariably flat and in which a material loss is always incurred.

Earnings per share were 14.5p, against 12.6p, and there is a total dividend of 1.5p, the same as the figure for the previous full financial year.

Mr Richard Ratner, former chairman and now a non-executive director, said that the

performance reflected information problems concerning stock and the downmarket image of a few of its outlets. In addition, the previous year included a contribution from the burgled wholesale business.

The company said that a writ had been issued against its insurers concerning the robbery and that it was confident of a successful conclusion.

The purchase of Gordon & Seymour reflects the group's strategy of increasing its retail outlets to between 50 and 60 shops. Following the acquisition, the number of premises owned will be 34 and this encouraged the company to develop the property side of the business.

Mr Dwek said that the new shops, which trade as The Gold Centre, complement the existing businesses extremely well and that after an initial integration period significant benefits would accrue.

BMT progress continues with £6.55m turnround

By Peter Pearce

Business Mortgages Trust, the commercial mortgage company for which National Home Loans made a £10m paper bid on June 6, reported a £6.55m turnround from losses of £3.92m to pre-tax profits of £2.63m in the year to March 31.

Operating income fell slightly to £11.83m (£12.31m) and administrative and other expenses were reduced to £2.96m (£4.35m). The company over-provided for bad and doubtful debts in 1987/88 with its debt of £5.05m and brought back a credit of £280,000 this time. The board has decided to retain the £1.4m general provision. Earnings were 9.9p (losses 24p) per share.

The company said that it was a very satisfactory outcome for the year and represented a continuation of the interim stage towards a full recovery from the 1987/88 difficulties. The board expects to resume dividend payments in the current year.

Brit Arrow makes legal error in share buy-back

By Andrew Hill

BRITANNIA ARROW, the fund management and financial services group, yesterday reported a 1.25m of its own shares back to their original owners, having failed to ask preference shareholders' permission to buy in stock.

The investors who sold have agreed to repay the purchase price, plus interest, and give up their right to the group's final dividend for 1988.

A year ago, ordinary shareholders in Britannia, which is based in Lord Ripon, took a buy-back of 34m of its shares. The group then bought shares representing less than 0.5 per cent of the equity between November and January.

Meeting two months ago to meet him but he had no further comment to make. Yesterday he left for New York.

The letter said Storehouse's financial performance had "dramatically deteriorated" since Mr Edelman first bought Storehouse shares before Christmas last year. On June 1 Storehouse revealed a sharp drop in annual profits from £114.5m to £11.3m after exceptional provisions of £98.4m.

The other conditions in yesterday's letter were that Sir Terence Conran should accept the offer for his 7.2 per cent shareholding, that certain information was given to Mr Edelman, and that Mr Edelman succeeded in finalising finance for the bid.

Stockbrokers suggested that Mr Edelman was really trying to flesh out a buyer for his shares, which are now worth much less than the average price he paid for them, thought to be between 185p and 190p.

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LONDON RECENT ISSUES

Issue	Amount	Latest Price	1989 High	1989 Low	Stock	Dividend	Yield	Y.P.	F.P.
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-

FIXED INTEREST STOCKS

Issue	Amount	Latest Price	1989 High	1989 Low	Stock	Dividend	Yield	Y.P.	F.P.
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-

RIGHTS OFFERS

Issue	Amount	Latest Price	1989 High	1989 Low	Stock	Dividend	Yield	Y.P.	F.P.
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-

TRADITIONAL OPTIONS

Issue	Amount	Latest Price	1989 High	1989 Low	Stock	Dividend	Yield	Y.P.	F.P.
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-
100p	£100	100	100	100	Abstract New Down Int. Tr. Ltd.	100	100	-	-

COMPANY NEWS IN BRIEF

ARCHIMEDES INVESTMENT Trust: Net asset value £23.19p (£47.06p) at April 30. Net income £29,870 for 1988, or 2.96p per share (3.34p). Interim dividend 6.25p (5.8p).

ASB BARNETT Kinnings, Third Market accountancy recruitment consultancy, has acquired certain assets of the Smart Group for £15,000 cash for office equipment and goodwill and a further profit-related deferred cash consideration of up to £26,000.

AVONMORE FOODS is buying 95 per cent of Irish Country Bacon from the major shareholders for £23.34m, and has offered the same terms for the remainder. ICB is largest pigmeat processor in Ireland; turnover £48m in 1988 but loss before tax of £355,000.

BRENT WALKER Group is reorganising its brewing, retailing and spirits businesses following the recent acquisition of Whyte and Mackay Distillers, Cameron and Polly Cobbold. Its drinks businesses will be split into three operating companies: Brent Walker Inns and Retail, Brent Walker Brewing and Trading and Whyte and Mackay Distillers.

CASTROL is paying just over £2m to Boral Veritasdamek, maker of metal working and industrial cleaning fluids and corrosion preventives. Its main markets are Sweden and Denmark.

COMMUNICATION Corporation, which is dealt under Stock Exchange rule 535 (2), reported pre-tax profits of £245,422 (£17,272 loss) for 1988. Turnover rose to £1.92m (£1.13m), and after tax of £33,720 (£2,192) earnings per share were 2.02p. A maiden dividend of 0.2p is proposed.

CRAMPORN is to close its central distribution and wholesaling operations based at Cuton Mill, Chelmsford. Its net losses for the year to July 2 1988 were £32,000 and a similar loss is expected for the current year to July 1.

DALGETY has acquired Pin-It Pastry. Turnover is currently £1.6m and net assets £380,000.

DENCORA is selling industrial units at various locations in East Anglia for £2.65m. Contracts exchanged for the sale of £100,000 (217,615). Earnings 0.04p per share (0.03p). Company said it was unlikely to pay more than a token dividend (0.7p) for the current year.

HARMONY LEISURE GROUP has bought the Lewnards House Hotel in Norwich for £710,000 cash. This brings the number in Harmony's chain to five.

HARTWELL GROUP proposed acquisition of Charles Clark Group and Ford Sister Group not being referred to Monopolies Commission.

HYMAN has paid £249,851 in cash and shares for a 50 per cent holding in Chelco, a supplier of materials to the construction industry. Chelco returned pre-tax profits of £21,077 for the year to end-June 1988. Net assets at year-end were £31,313.

JOURDAN (THOMAS) is buying Himax Products and Handmail for a maximum of £2.12m. The initial £1.5m being satisfied by an issue of shares with further profit-related payments. The £4.5m initial consideration shares have been placed and a further 170,000 shares have been placed to raise about £190,000 to fund expenses of recent acquisitions and some existing commitments.

LAMONT HOLDINGS has entered into a conditional contract with Brookmount to sell the property interests of its Connaught Properties subsidiary in east Belfast for £12.8m cash. At the annual meeting Sir Desmond Lorimer, chairman, said at the annual meeting that by the end of April the group had experienced a slight fall in turnover but by holding and improving margins and with improved results from other activities including rental and interest income the group has so far been able to maintain its position.

MAGNET: The penultimate closing date for the £628m management buy-out bid passed yesterday. Without an announcement as to the level of acceptances, Bankers Trust, advisers to Mr Tom Duxbury

net asset value at March 31 1989 was 40p (35.4p). Profit after tax for six months to that date £2,950 (£170,615). Earnings 0.04p per share (0.03p).

and his boardroom team, indicated that there would be an announcement on Monday. Current levels of acceptances 0.04p per share (0.03p). Company said it was unlikely to pay more than a token dividend (0.7p) for the current year.

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European launch for Serif video game

By Andrew Hill

LOCK UP your children, throw away the television set, and prepare for the arrival of the latest cult game.

Just when you thought it was safe to go back into the living room, Nintendo - a video game from Japan via, inevitably, the US - is set to hit Europe's TV screens.

Serif Govealls, the UK group best known as the UK manufacturer and distributor of the cult board game, Trivial Pursuit, has just won European distribution rights for Nintendo.

The popularity of TP, as Serif calls the general knowledge game, is on the wane in Europe. Although last year's sales of 3.2m units were the best since its European launch in 1985, it is becoming an "overpriced" like Scrabble or Monopoly - an old favourite to be brought out by the family at Christmas.

Nintendo, hopes Serif, will provide the USM-quoted group with a replacement source of revenue. But as a sociable, even educational, dinner party game Nintendo may leave a little to be desired.

Modelled on arcade video games, it is based round a control console, and a selection of game cartridges, mainly contentions between the player and the computer graphics - be they boxes or fighters.

completes with full colour and sound. Predictably, the game aimed at seven to 14-year-olds, has found its biggest market among boys.

Serif accompanied with some bone-chilling facts from the US. Nintendo has already gained about 70 per cent of the total electronic games market here, one in five US homes now has the system, and 35m control consoles and 70m cartridges have been sold in the last three years worldwide.

Getting in on the cut will cost European parents more than their US and Japanese counterparts.

Nintendo has actually been on sale in the UK since 1987 - principally through Dixons and Boots; the standard control box, which plugs into any television screen, costs £99, and includes one game, while the more popular de luxe model is some £149, with "zapper light gun" and two games.

But the real marketing coup is the fact that individual games appear on separate cartridges. Serif, which persuaded Europeans to buy the original Trivial Pursuit to buy new editions at £25 each, hopes parents will part with £20 or £30 a time to add new games to the system and keep their offspring quiet.

DIVIDENDS ANNOUNCED

Company	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Brown Shipley	6.5	-	6.5	10.6	10.6
D Mail & Gen Tel	2.5	-	2.5	7.3	-
Eagle Group	1.1	July 27	0.4	1.5	1
Haywards & Grey	1.5	-	2.3	1.4	1.4
Hick's Pastecost	1.1	Oct 3	0.5	2.6	0.5
Shaw (Arthur) S	2.7	Aug 23	1.3	3.5	1.3
Sonic	2.25	-	2.25	3.25	3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issues. †On capital increased by rights and

Holdings criticise board at Chloride

By Nikki Tait

SMALL SHAREHOLDERS in Chloride yesterday launched a 90-minute assault on the board of the troubled battery group and its recent trading performance...



Ray Horrocks, chairman of Chloride, meets shareholders at the annual meeting

The meeting had been called to approve the sale of the group's motive power operations to Compagnie Generale d'Electricite for \$55m. In the event, the motion was carried on a show of hands...

Ray Horrocks, chairman of Chloride, meets shareholders at the annual meeting. The first shareholder response came from Dr Gillibrand, a long-standing dissident voice at Chloride meetings...

suggested that it had discussions with other parties as well as its professional advisers. Critics of the central costs of the group, the past use of management consultants, the board's general lack of background in the battery industry...

Blue Arrow sells Amber Day stake

By Philip Coggan

BLUE ARROW, the employment agency, has sold the 9.6 per cent stake in Amber Day Holdings, the men's wear group, which was acquired when Mr Tony Berry was executive chairman...

Disposals boost Daily Mail Trust to £182m at six months

By Philip Coggan

NET EXCEPTIONAL credits of £18.8m boosted interim pre-tax profits at the Daily Mail and General Trust to £181.8m in the six months to March 31. During the period, DMGT, which had previously been an investment company, acquired the 50 per cent of Associated Newspapers Holdings that it did not already own...

Group debt at the end of the March was £316m and the interest charge in the first half was £11.2m. After the end of the period, the group has sold National Opinion Polls for £16m and has agreed to reduce its stake in American Lawyer Newspapers...

Rodime restructuring at advanced stage

By James Buxton, Scottish Correspondent

RODIME, the Scottish-based computer disk drive manufacturer, which recently announced heavy losses and replaced its top management, expects to give details of its financial restructuring by the end of next week...

September 1988 and a further loss of £8.5m in the first quarter of the current financial year. In 1987 it lost £18.4m. Shortly afterwards Dr Leonard Brownlow, chairman, and Mr Mervyn Brown, managing director, resigned...

general meeting required under Section 142 of the 1985 Companies Act since net assets had fallen to less than half of called-up capital. The brief meeting in Glasgow, conducted in a notably upbeat atmosphere, was adjourned until a further EGM is held at a date to be fixed to consider a refinancing package...

plait. Glenrothes would be the principal engineering centre and would continue to handle pre-production manufacturing. Boca Raton would concentrate on engineering and marketing for the US market...

New Throgmorton net assets rise

By Philip Coggan

Net asset value of New Throgmorton Trust (1983) was 257p per share at the year-end March 31 against 242.7p a year earlier. Tax took £763,000 (£757,000), net revenue was £2.55m (£2.34m) and earnings per share 6.51p (5.98p). Final 4.75p (4p) making 6.5p (5.9p).

Belhaven gets taste of Mexico

By Vanessa Houlder

BELHAVEN, the restaurant group, is buying Chi-Chi's Mexican Restaurants, a Mexican restaurant group, from Ranks Hotels, McDonald's, the food and bakeries group and Chi-Chi's. It is paying \$4.76m in cash and is taking on about £3.9m in bank debts...

A meeting is understood to have taken place between Anglo, the company which is being used by Sir James Goldsmith as a vehicle for his return to the UK corporate scene, and Ranks Hotels, the food and bakeries group, writes Nikki Tait. The venture made a pre-tax loss of £248,000 on sales of £4.68m in the year to September 4 1988. This loss was incurred after allowed for £680,000 non-recurring costs and £482,000 central administration costs...

Lyons Irish profits increase to £5.6m

By Philip Coggan

Lyons Irish Holdings announced pre-tax profits up from £5.7m to £5.6m (£4.5m) for the 12 months to March 4. Turnover was £34.31m (£32.97m). Earnings per share came to 33.2p (28.7p) and a proposed final dividend of 7.2p fits the annual total 1p to 11p.

BET makes first acquisition in US

By Philip Coggan

BET, the international services group, is paying an undisclosed price for New York-based Arcade Cleaning Contractors and Arco Building Services its first US office cleaning and building maintenance business.

MARKET STATISTICS

ECONOMIC DIARY

TODAY: Polish leader General Wojciech Jaruzelski meets Mrs Margaret Thatcher, the Prime Minister, at Chequers looking for help in obtaining an IMF loan. TOMORROW: Elections in New Caledonia for three regional councils which will take large degree of autonomy on July 14. Mr Ronald Reagan, ex-US President, will arrive in Luxembourg for a two-day conference on children's rights opens in Stockholm. MONDAY: May provisional figures for retail sales, and for producer price index numbers. Spring survey of investment intentions of the manufacturing and service industries. NALGO annual conference opens, Blackpool, (until June 16). Association of District Councils conference on community charge in Scotland. Mr Mikhail Gorbachev, USSR President, starts four-day visit to West Germany. EC Foreign Ministers start two-day meeting in Luxembourg. EC social affairs council meets, Luxembourg. International conference on saving the planet, Paris. Figures for US advance retail sales. TUESDAY: First quarter international banking statistics. Mr Ronald Reagan gives Churchill lecture, Guildhall. Building Societies Ombudsman annual report published. Commission for Racial Equality annual report published. Mr Reagan dines with Mrs Thatcher, Downing Street. UN-sponsored conference on disarmament resumes after six-week break. Geneva UN two-day conference on Indo-China refugees.

EUROPEAN OPTIONS EXCHANGE

Table with columns for Series, Bid, Ask, Last, Vol, and various market data points for European options exchange.

BANK RETURN

Table showing banking department statistics for Wednesday June 7, 1989, including liabilities, assets, and reserves.

BASE LENDING RATES

Table listing base lending rates for various banks and financial institutions, including ABN Bank, Ades & Company, and others.

IRELAND

The Financial Times proposes to publish this survey on: 11TH JULY 1989. For a full editorial synopsis and advertisement details, please contact: GILLIAN KING on 01-873 4823

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

Large table containing FT-Actuaries Share Indices, including Equity Groups, Sub-sections, and Highs and Lows Index for various stock categories.

FIXED INTEREST

Table showing average gross redemption yields for fixed interest investments, categorized by price indices and duration.

Opening Index 2153.7, 10 am 2146.5, 11 am 2146.3, Noon 2145.4, 1 pm 2146.7, 2 pm 2135.5, 3 pm 2137.2, 3.30 pm 2137.5, 4 pm 2144.5, 5 pm 2144.5, 5.05 pm 2144.5, 5.15 pm 2144.5, 5.30 pm 2144.5, 5.45 pm 2144.5, 6 pm 2144.5, 6.15 pm 2144.5, 6.30 pm 2144.5, 6.45 pm 2144.5, 7 pm 2144.5, 7.15 pm 2144.5, 7.30 pm 2144.5, 7.45 pm 2144.5, 8 pm 2144.5, 8.15 pm 2144.5, 8.30 pm 2144.5, 8.45 pm 2144.5, 9 pm 2144.5, 9.15 pm 2144.5, 9.30 pm 2144.5, 9.45 pm 2144.5, 10 pm 2144.5, 10.15 pm 2144.5, 10.30 pm 2144.5, 10.45 pm 2144.5, 11 pm 2144.5, 11.15 pm 2144.5, 11.30 pm 2144.5, 11.45 pm 2144.5, 12 pm 2144.5

INTERNATIONAL COMPANIES AND FINANCE

HK Telecom profits up on growth in world services

By Michael Murray in Hong Kong

HONG KONG Telecommunications, the locally listed subsidiary of UK-based telecommunications group Cable and Wireless, has reported strong profit growth for the year ended March 31...

There is also growth in international facsimile services, with around 2,000 fax lines per month being added to the present total of 66,000 in Hong Kong...

satellite launch using a Chinese Long March rocket was still scheduled for April next year...

Siemens in talks with Matsushita

By David Goodhart in Bonn

SIEMENS, the West German electronics giant, is expected to announce details next week of a joint venture with the Japanese electronics group Matsushita...

Goodman to sell AS2bn worth of IEL's assets

By Alan Friedman in Milan

GOODMAN Fielder Wattie, the Australian food giant, will sell AS2bn (US\$1.5bn) worth of assets belonging to its new acquisition Industrial Equity (IEL) within the next 18 months...

Fielder followed by the sale of IEL's Woolworths retail chain to Brierley Investments (BIL), IEL's present New Zealand parent...

Pru-Bache reorganises to improve services

By Roderick Oram in New York

PRUDENTIAL-BACHE Securities has reorganised some of its operations, a move reflecting both their inadequate performance and the difficult business conditions on Wall Street...

LVMH saga reaches final episode

By George Graham in Paris

SHAREHOLDERS in Moët Hennessy-Louis Vuitton (LVMH), the French drinks and luxury goods conglomerate, are assiduous in their attendance at annual meetings...



Bernard Arnault seems to have won battle for control

The show-down never came. All nine resolutions put to the meeting - routine measures involving the approval of last year's accounts and authorisation for this year's dividend - passed, by margins ranging from 99.13 per cent to 99.64 per cent...

offered an olive branch yesterday. He told the assembly that at 76 years of age he was thinking of preparing the way for his successor...

This assembly, at which Mr Arnault will have the votes to impose his will, has been delayed from next Tuesday, but should take place by the end of June to comply with French company law...

Mr Racamier's supporters hope the court will at least prevent Mr Arnault from ousting him. But LVMH's small investors think the battle is over. "It's all lost now. I don't understand how an old family business like this could fall so low," commented Mrs Lebrun...

Ackermans builds on solid ground

Tim Dickson looks at a Belgian dredger's activities above the surface

It is not just because its main business is dredging that the key to Antwerp-based Ackermans and Van Haeren lies hidden below the surface...

expand beyond the company's Belgian territory. According to Mr Luc Bertrand, a director who worked previously at Bankers Trust in London, there is BFR20m-25m of cash on the balance sheet...

business, in spite of difficult trading conditions, is in better shape than most of its competitors - mainly Dutch - and remains profitable.

At the company's annual general meeting in Brussels last week, Mr Bertrand says Ackermans is keen to help create a speciality plastics and packaging business, disposing of companies such as the profitable leisure subsidiary Bell Fruit which do not fit with this strategy...

Benetton listed on NYSE

By Alan Friedman in Milan

ITALY'S Benetton clothing group has completed its international equity offer and has raised \$100.5m by selling 7m American Depository Shares...

World Commodities Prices

Summary of world commodity prices including gold, silver, copper, and various oils.

Spot Markets

Summary of spot market prices for various commodities like oil, sugar, and wheat.

World Commodities Prices

Table with multiple columns listing commodity prices for London Metal Exchange, Soybean Meal, Freight Futures, Grains, Barley, Pigs, and Gas Oil.

Advertisement for Financial Times International Conferences & Exhibitions, featuring Denis Cody and Jeremy Bulff.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Producer prices boost dollar

A SHARP rise in US producer prices pushed the dollar yesterday to its best level since October 1987. The May PPI figure rose by 0.9 per cent, nearly double market expectations...

There was no sign yesterday of any central bank intervention apart from limited dollar sales by the Bank of Spain. The dollar closed at \$1.4605 against the yen, its best level since October 1987...

Thursday. It was higher against the D-Mark at DM3.1125 from DM3.1100 and \$227.00 compared with \$225.50. Elsewhere, it finished at SF2.7050 from SF2.6950 and FF10.5500 against FF10.5500.

IN NEW YORK

Table with columns for Date, Bid, Ask, and Price for various currencies like Sterling, Swiss Franc, etc.

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Table showing Dollar Spot and Forward rates for various currencies (UK, France, Germany, etc.) with columns for Bid, Ask, and Price.

STERLING INDEX

Table showing Sterling Index values for various dates and currencies.

POUND SPOT - FORWARD AGAINST THE POUND

Table showing Pound Spot and Forward rates for various currencies (US, France, Germany, etc.) with columns for Bid, Ask, and Price.

CURRENCY RATES

Table showing various currency rates including Sterling, Swiss Franc, and others.

EMS EUROPEAN CURRENCY UNIT RATES

Table showing EMS European Currency Unit rates for various countries.

CURRENCY MOVEMENTS

Table showing currency movements and changes for various currencies.

EURO-CURRENCY INTEREST RATES

Table showing Euro-currency interest rates for various currencies and terms.

OTHER CURRENCIES

Table showing other currency rates including Argentine, Australian, etc.

EXCHANGE CROSS RATES

Table showing exchange cross rates for various currencies.

FORWARD RATES AGAINST STERLING

Table showing forward rates against Sterling for various currencies.

MONEY MARKETS

UK rates higher

UK INTEREST rates were marked up in London yesterday after the rise in US PPI data for May. Having spent most of the morning unchanged from overnight levels...

FT LONDON INTERBANK FIXING

Table showing FT London Interbank Fixing rates for various currencies.

MONEY RATES

Table showing money rates for various currencies and terms.

LONDON MONEY RATES

Table showing London Money Rates for various currencies and terms.

LIFFE LONG CALL FUTURES OPTIONS

Table showing LIFFE Long Call Futures Options for various currencies.

LIFFE US TREASURY BOND FUTURES OPTIONS

Table showing LIFFE US Treasury Bond Futures Options.

LIFFE BOND FUTURES OPTIONS

Table showing LIFFE Bond Futures Options.

LIFFE 6% OPTIONS

Table showing LIFFE 6% Options.

LIFFE EURO-DOLLAR OPTIONS

Table showing LIFFE Euro-Dollar Options.

LIFFE SHORT STERLING

Table showing LIFFE Short Sterling.

LONDON (LIFFE)

Table showing London (LIFFE) market data.

PHILADELPHIA 6% OPTIONS

Table showing Philadelphia 6% Options.

CHICAGO

Table showing Chicago market data.

U.S. TREASURY BOND 8 1/8%

Table showing U.S. Treasury Bond 8 1/8% data.

U.S. TREASURY BOND 8 1/4%

Table showing U.S. Treasury Bond 8 1/4% data.

U.S. TREASURY BOND 8 3/4%

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NOTICE OF A SECOND MEETING OF THE HOLDERS OF BANK OF HELSINKI LTD. (UNION BANK OF FINLAND LTD.) ECU 38,500,000 9% Subordinated Bonds Due 1996

No quorum having been reached at the first meeting held on June 6, 1989 a second meeting of the holders of BANK OF HELSINKI LTD. (UNION BANK OF FINLAND LTD.) ECU 38,500,000 9% Subordinated Bonds Due 1996 will be held...

AGENDA

- to delete paragraph (3) which reads as follows:
- (3) in the event of default by the Bank or any Principal Subsidiary of the Bank in the due and punctual payment of the principal of, or premium or redemption charge (if any) or interest on any indebtedness of or assumed or guaranteed by the Bank or any Principal Subsidiary when and as the same shall become due and payable...

FOR THE PURPOSES OF OBTAINING VOTING CERTIFICATES OR APPOINTING PROxies

For the purposes of obtaining voting certificates or appointing proxies the holders are requested to deposit their Bonds at the latest two business days prior to the Meeting at the office of KREDITBANK S.A., Luxembourg...

EDUCATIONAL LEGAL NOTICES

Language Studies International advertisement for 'PREPARE FOR 1992' with details on courses and contact information.

CIEL IN FRANCE advertisement for French language learning with contact details for a Paris-based school.

GRANVILLE SPONSORED SECURITIES advertisement listing various investment options and their performance metrics.

NatWest advertisement for 'INTEREST ON STUDENT CURRENT ACCOUNTS' with details on account benefits and contact information.

FT GUIDE TO WORLD CURRENCIES advertisement for a weekly publication with contact details.

WORLD STOCK MARKETS

NEW YORK (Closing)

Table of New York stock market closing prices for various companies, including IBM, AT&T, and General Electric.

INDICES

Table of stock market indices including Dow Jones, S&P 500, and various regional indices for Europe and Asia.

CANADA (Closing)

Table of Canadian stock market closing prices for major companies like Alcan and Inco.

NEW YORK ACTIVE STOCKS

Table of active stock transactions in New York, listing volume, price, and change for various stocks.

FRANCE (Closing)

Table of French stock market closing prices for companies like Air France and Bouygues.

GERMANY (Closing)

Table of German stock market closing prices for companies like Volkswagen and Siemens.

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Table of French stock market closing prices for companies like Air France and Bouygues.

GERMANY (Closing)

Table of German stock market closing prices for companies like Volkswagen and Siemens.

ITALY (Closing)

Table of Italian stock market closing prices for companies like Eni and IRI.

NETHERLANDS (Closing)

Table of Dutch stock market closing prices for companies like Shell and Unilever.

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Small print at the bottom of the page containing legal disclaimers and publication information.

WORLD STOCK MARKETS

Equities calm as inflation data send bonds soaring

Wall Street

A RISE in US producer price inflation pervasively sent dollar bond prices up to their highest level in more than two years in a feverish day of wild price swings in the bond market.

Inflation rate of only about 0.4 per cent and interpreted the PPI numbers, which showed inflation spreading well beyond the food and energy components, as bad news for the bond market.

Holdings of Time Inc, Warner and Paramount. Most of the blue chips were mixed, reacting little to the sharp advance in the dollar, which is likely to hurt the profits they report from their overseas subsidiaries.

Time rose 3/4 to \$168 1/4, while Warner gave up 1/4 to \$55 1/4 and Paramount fell 1/4 to \$57 1/4. LIN, the cellular telephone and broadcasting company which received a takeover bid earlier this week from McCaw Cellular Communications, which rose another 3/4 to \$125 1/4.

Canada QUIET midday trade saw stocks slip amid profit-taking, as a correction set in after a week of heavy gains.

The bond market, in contrast, had one of its wildest days on record. It opened up, but fell sharply in the morning after the Labor Department announced a 0.9 per cent jump in the May producer price index (PPI).

EUROPE

West Germany pauses for breath after hectic week

THE US producer price figures for May were received nervously in hours that were still open, but the week generally ended on a note, writes Our Markets Staff.

FRANKFURT closed mixed after a day upset by computer problems at the stock exchange which prevented the real time DAX index and many share prices from being quoted for about an hour.

The market was also taking a breather after two weeks of almost uninterrupted gains. "It's been fairly frantic and most people are actually pretty exhausted," said one salesman.

The DAX index was provisionally given as 1,437.33, up 3.4 points from 1,423.93, after a dip to 1,423.89 from Thursday's hectic DM6.6m and there was an element of nervousness before the US producer price figures, which came after the close.

VW was the day's most actively traded stock, easing DM1.50 to DM1.44 after its strong rise on Thursday following news the company would keep its Wolfsburg plant running throughout August.

Uthly Veba, which on Thursday announced it was taking a 22.5 per cent stake in transport company Schenker, gained DM1.20 to DM2.03. Elsewhere, Holzmann added DM6 to DM9.50, although fellow DM construction company Hochtief denied market rumours it was selling its 30 per cent stake.

PARIS was worried by news of the higher US producer price figures, which wiped out early gains. The opening CAC General index reached an all-time high of 4,718.46, up 4 points, but the OMF 50 index ended 0.45 lower at 503.55 and the CAC 40 index slipped 2.43 to 1,758.30.

The day's best performer was Five-A-Like, the sports equipment company, which shot up

FFr62, or 14.2 per cent, to FFr499 on active volume of 186,500 shares, or about 6 per cent of its share capital.

Lafarge Coppée, the cement group, continued to benefit from news that it was taking control of Cementia of Switzerland and Asland of Spain. It gained FFr34 to FFr1,699.

LYMEL, the drinks and luxury goods concern which held its annual general meeting yesterday, dropped FFr103 to FFr4,065, after hitting a low of FFr3,990. Mr Henry Bazamier, chairman of the Louis Vuitton group, said he was thinking of resigning.

ZURICH was lively, as confidence about steady interest rates helped shares rise across the board. The Credit Suisse index picked-up 7 points to 593.3, a rise of 3.7 per cent this week.

Nestlé, the food company, performed ably after Thursday's news that it is likely to receive a listing in London within two months and in Tokyo by the end of the year.

Its bearers gained SFr210 to SFr77,300 and its registered shares rose SFr2 to SFr7.00. Cementia regained some ground, after falling sharply on Thursday in the wake of French group Lafarge Coppée's takeover. Its bearers gained SFr2 to SFr6,050 and its participation certificates rose SFr3 to SFr900.

MADRID ended a week of mixed trading on a firm note, with the general index rising 0.88 to 3,143.5 in volume estimated at a strong \$145m. The bourse has gained 1.3 per cent on the week.

Cement stock Asland plummeted 136 percentage points, or

7 per cent, to 1,800 per cent of par in the wake of Lafarge's taking control. It had unexpectedly risen on Thursday, apparently on local appreciation of the deal. "It was a classic Spanish 24-hour delay," said one broker. "They didn't realise 200 institutions in New York and London were willing to sell as fast as they could."

Stainless steel manufacturer Acronox recovered 41 to 1,670 from a recent heavy fall; there was talk of a one-for-10 bonus issue in August. Oil stock Repsol climbed 9.75 to 435.5.

AMSTERDAM remained strong in turnover similar to the rest of the week at F1,900m. Healthy foreign interest helped push the CBS tendency index to a new 1989 high of 186.2, a rise of 0.6 on the day, and 1.6 per cent on the week, although the strong US producer price figures "triggered" some late profit-taking.

Philips again saw active trading, rising 40 cents to F1.39, while steel maker Hoogovens found F1.30 to F1.08.90 amid speculation of good results from British Steel next week.

MILAN rose for a sixth trading day, hitting further 1989 highs, as overseas interest remained. Volume was less heavy than on Thursday, at an estimated L250bn. The Comit index gained 1.25 to 628.68, up 2.7 per cent this week.

STOCKHOLM rose to a new high for the second day running, lifted by Stora's 40 per cent increase in pre-tax profits for the first four months. Stora, which closed SKR10 up at SKR450, helped lift the forestry sector index by 1.1 per cent. The Affärsvärlden General Index closed up 6.7 to 1,192.7, a rise of 1.1 per cent for the week, in moderate turnover.

Oslo closed mixed in a quiet market, in moderate trading, with the general index rising 0.88 to 3,143.5 in volume estimated at a strong \$145m. The bourse has gained 1.3 per cent on the week.

Cement stock Asland plummeted 136 percentage points, or

GOLD stocks declined further in quiet Johannesburg trading in reaction to the weaker bullion price. Bargain-hunting, however, lifted stocks off lows.

SOUTH AFRICA GOLD stocks declined further in quiet Johannesburg trading in reaction to the weaker bullion price. Bargain-hunting, however, lifted stocks off lows.

Fog of gloom obscures Tokyo's brilliance

Stefan Wagstyl explains why Japanese stocks have been marking time since March

DEPRESSION has recently come down like fog on the Tokyo stock market. There is little sign it will lift until investors start worrying less about currencies and interest rates.

The Nikkei index of 235 leading stocks, which closed yesterday at 33,639.96, is 11.2 per cent higher than it was in early January. But the widely followed Nikkei can be a misleading indicator of the underlying strength of the market. The Toptix index of all stocks on the first section of the Tokyo Stock Exchange - a more comprehensive measure of the market - rose only 5.4 per cent. This would be enough to make investors in many markets start looking elsewhere - the impact in Tokyo is particularly serious because dividends are low. Capital appreciation is all-important.

ASIA PACIFIC Political and currency worries depress trade

Japan

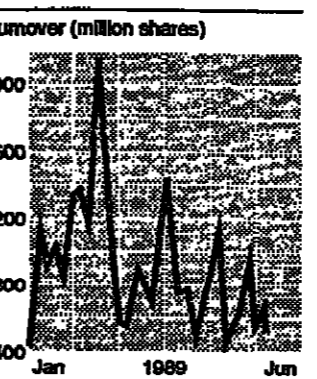
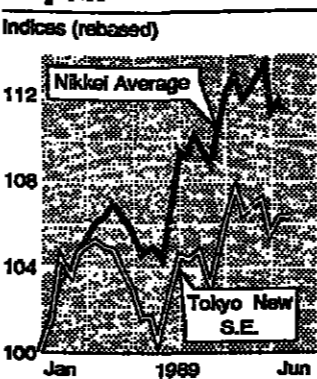
months of the year to 809,000 in May. Yesterday it was 660,000. The reasons are not hard to fathom. The rise in the dollar since March has hit equities in Tokyo in two ways. Firstly, it has rekindled Japanese interest in foreign investment.

Interest in foreign securities has spread from institutions to private investors - Tokyo tip sheets have started tipping individual US stocks.

Secondly, the rise in the dollar greatly increased the pressure on the Bank of Japan to push up interest rates in order to dampen fears of a rise in inflation.

At W I Carr, Mr John Courtney, a sales manager, says that even though the Japanese economy is strong, worries

Japan



about currency and interest rates could well bring the market down, possibly quite sharply. Such down-turns often hit Tokyo in the summer.

The main reason for thinking the interest rates could go higher is concern about inflation. The Bank of Japan has not ruled further increases in the discount rate - if these are needed, as well as the impact of the rising dollar and of an increase in oil prices, the bank is worried about domestic pressures on prices.

The economy is growing so fast that small companies - hardware stores and builders alike - cannot find workers.

Consumer prices in Tokyo rose 3.3 per cent last month after a 2.7 per cent increase in April. A year ago the rates were around 1 per cent.

Against this, there are some indications that the pressure on interest rates may be subsiding. The central bank was certainly pleased to see US banks lower prime rates this week.

Moreover yields on Japanese government bonds have eased slightly this week. After rising since late last year from 4.6 per cent to a peak of 5.55 per cent, the yield on the benchmark

instrument, the 111th issue, closed yesterday at 5.38 per cent.

The bulls' view is that the strength of the dollar, and the accompanying surge in Japanese interest rates, is a passing phenomenon. By the end of the year, if not sooner, investors will once again start taking more notice of the real economy, especially the trade balance between Japan and the US, and the yen will recover.

Japanese investors will slow their foreign investments and money will flow into Tokyo. The undoubted strengths of the Japanese economy will once again be a self-evident reason for investing in Japan, say the bulls.

The bears answer that even if the dollar falls, it will not drop far, certainly not below Y130. This would reinforce a view that the period of the dollar's long decline against the yen is over. So, even if trade imbalances remain, money will continue to flow across the Pacific. It will flow, not just because of the attractiveness of US bank or equities, but because of a long-term desire of Japanese institutions to diversify.

This diversification had been growing apace before October 1987 but was interrupted by the crash. A senior Ministry of Finance official said this week that diversification, not a search for short-term trading profits, was now the prime motive for foreign investment by Japanese institutions.

Tokyo

AN ABSENCE of direction and buying incentives, coupled with currency and political worries, kept the depressed and share prices drifted lower on distressingly thin volume, writes Michiko Nakamoto in Tokyo.

The Nikkei average started stronger but soon lost energy in a familiar pattern, closing 78.31 down at 33,639.96. The day's high was at 33,813.23 and the low 33,561.43.

Declines outnumbered advances by 476 to 412, while 194 issues were unchanged. Turnover stood at a thin 519,62m, a further substantial drop from the 660m traded on Thursday. The Toptix index of all listed shares fell 1.32 to 2,508.41 but in London the ISE/Nikkei 50 index rose 2.40 to 1,989.92.

A report yesterday that the gap between interest rates in the US and Japan was narrowing sparked some early enthusiasm among investors, but soon faded as the market was replaced by concern as the yen faltered against the dollar.

Domestic political worries also continued to cast a shadow that kept institutional investors, in particular, on the sidelines. Mr Sonosue Taro, Prime Minister and leader of the ruling Liberal Democratic Party (LDP), was chosen because of his clean image, but there are some rumblings of a sex scandal. The reaction to him has been lukewarm at best, so concerns about the LDP's prospects in the forthcoming elections to the Upper House of the Diet (Parliament) have not been reduced.

The market needs something dramatic to trigger it into action, said Mr Masumi Okuma at UBS Phillips & Drew.

Interest yesterday turned to special situations. Environment-related issues continued to be in favour. Among them, Nippon Shokubai Kagaku Gogyo, a leading chemical maker, gained Y20 to Y2,140.

Money to invest? The stockmarket yields the best returns if you know how to handle it. A glance at our graph shows how UK ordinary shares have performed over the past ten years. From the beginning of 1979 to the end of 1988, the increase was 321 per cent that does not include dividends received and is despite the highly publicised stockmarket collapse in October 1987.

Sound judgement determines success Success on the stockmarket depends on sound judgement and intelligent appraisal, because you need to anticipate events, not just react to them.

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Roundup

MOST Asia Pacific markets turned their gaze inward again after their domination by events in China, Singapore and Hong Kong made strong gains, while Australia was steady.

SINGAPORE was strong after its recent run of weakness, with the Straits Times industrial index rebounding 34.10, or 2.8 per cent, to 1,241.21, encouraged by rises on foreign markets.

The index lost 4.9 per cent over the week as a whole. Speculation of high tenders

for four leading property sites being sold by the Government boosted the property sector. Banking issues also performed well.

HONG KONG had a relatively dull day, as share prices rose in lower volume. "There was some overseas nibbling, mainly on a bargain-hunting basis," said one analyst.

The Hang Seng index gained 43.73, or 2 per cent, to 2,268.33, to reduce its loss for the week slightly to 15.2 per cent. Turnover was HK\$1.5m, down from HK\$2.3m on Thursday.

Hong Kong Telecommunications saw volatile trading, ending 5 cents lower at HK\$4.40.

After the close, it announced net profits in line with expectations and stressed its minimal exposure to China.

AUSTRALIA was little changed as interest focused on News Corp. The All Ordinaries index ended 1.5 to 1,543.9 for a gain for the week of 1.3 per cent in volume of 118m shares worth A\$277m.

The evaporation of overseas buying left News Corp 70 cents lower at A\$15.50, after rising to A\$16.90 earlier.

Goodman Fielder Wattle gained 11 cents to A\$2.17, after falling the previous day on its takeover of IEL, which was unchanged at A\$2.11.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

Table with columns for National and Regional Markets, Thursday June 8 1989, Wednesday June 7 1989, and Dollar Index. Rows include Australia, Austria, Belgium, Canada, Denmark, Finland, France, West Germany, Hong Kong, Ireland, Italy, Japan, Malaysia, Mexico, Netherlands, New Zealand, Norway, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom, USA, Europe, Nordic, Pacific Basin, Euro-Pacific, North America, Europe Ex UK, Pacific Ex Japan, World Ex US, World Ex UK, World Ex Japan, and The World Index.

Copyright, The Financial Times Limited, Goldman, Sachs & Co., and County NatWest Securities Limited. 1987. Latest prices were unavailable for this edition. Hong Kong market closed June 8.

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LONDON STOCK EXCHANGE Dealings

Details of business done shown below have been taken with... from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and are subject to correction but in ascending order which denotes the day's highest and lowest dealing.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Second and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

† Bargains at special prices. ‡ Bargains done the previous day.

Corporation and County Stocks

- London County 2 1/2% Cons Stk 1989 (for after) - 121 (34.85)
Corp of London 3 1/2% Deb Stk 1983 - 121
Greater London Council 6 1/2% Deb Stk 1982 - 121

UK Public Boards

- Agri-Food 10% Deb Stk 1985 - 121
Agri-Food 10% Deb Stk 1985 - 121
Agri-Food 10% Deb Stk 1985 - 121

Commonwealth-Government

- Jersey Electricity Co Ltd 6 1/2% Deb Stk 2000 - 121
New Zealand Govt 10% Deb Stk 1982 - 121

Foreign Stocks, Bonds, etc

- Alloy National Building Society 10 1/2% Deb Stk 1985 - 121
Associated Newspapers Holdings PLC 8 1/2% Deb Stk 1985 - 121

Registered Housing Associations

- North Housing Association Ltd 12 1/2% Deb Stk 1985 - 121
Zero Cap Ln Stk 2002 - 121

Commercial, Industrial, etc

- ABB Kent PLC 7 1/2% Deb Stk 1985 - 121
ADT Ltd (101) - 121

Banking and Discount Companies

- Allied Irish Banks PLC 10 1/2% Deb Stk 1985 - 121
Bank of Ireland 10 1/2% Deb Stk 1985 - 121

- Cathedral, Robey & Co PLC 10 1/2% Deb Stk 1985 - 121
Caparo Industries PLC 10 1/2% Deb Stk 1985 - 121

- Charron Industrial Hdg 10 1/2% Deb Stk 1985 - 121
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FINANCIAL TIMES

LONDON STOCK EXCHANGE

Equities steady after erratic session

A WEEK which has seen more than its usual share of drama on the global stage closed yesterday with the UK stock market holding on to the ground recovered over the previous three trading sessions. There was little further reaction from Far Eastern-oriented stocks to the events unfolding in China. Across the broader range foreign investors, showing an uncertain response to the latest US producer price index, were less visible than on Thursday.

The market advanced in early trading, largely on the back of buying orders left over from the previous day. However, the initial gain of nearly

Account Opening Dates

Trade Settlement	May 22	Jun 15
Options Expiry	Jun 1	Jun 15
Dividend Payment	Jun 1	Jun 15
Options Expiry	Jun 1	Jun 15
Trade Settlement	Jun 1	Jun 15
Options Expiry	Jun 1	Jun 15
Trade Settlement	Jun 1	Jun 15
Options Expiry	Jun 1	Jun 15

11 Footsie points proved untenable and gains had largely vanished before the US producer price data arrived.

The gain of 0.9 pc in the US Producer Index was above some expectations, and London slid away from the initially bullish response in New York. The Footsie Index quickly

dipped by 10 points, although without much significant selling of either equities or Government bonds. Then, with Wall Street content with a minor fall in early trading, London rallied to close on an irregular, subdued note.

At its final reading, the FT-SE Index was a net 1.3 down at 2,142.1, rounding off a successful first week to the equity trading Account. Over the week, the Footsie has recovered 39.5 points of some 1.9 per cent of the loss suffered since weakness in sterling raised fears that domestic base rates might have to go up again, only days after they were raised to 14 per cent. The

equity market took little head of a late dip in the pound yesterday.

Tensions over UK rates have also slackened as the Federal Reserve eased its credit stance in the US markets. Indeed, an important spur behind UK equities has been a spate of selective buying from the US which was touched off by the \$6.5bn bid for LIN Broadcasting.

In addition to inspiring a fundamental re-rating of the cellular phone interests of the two Rascal companies in London, the US buying has ranged across a number of UK groups regarded by American investors as under-priced - with

BAT Industries in pride of place.

The UK stock market is still 2.5 per cent off its post-Crash peak of FT-SE 2,304.7 reached on May 19 and next week brings important challenges in the form of the US trade figures on Thursday and the latest UK Retail Price Index the following day. Doctors also continue to cloud the securities trading environment in London, despite signs this week of modest overseas interest in UK equities. The markets buzzed again yesterday with hints of impending staff cutbacks, this time among London agency brokers rather than market makers.

Edelman move rejected

It was a lively session for Storehouse with the share settling well below the best of the day after the board had refused to countenance a new approach from Mr Asher Edelman which it characterised as "neither an offer nor a firm intention to make an offer for Shares in Storehouse, one of the market's longest-running bid targets, attracted heavy interest throughout the session as Mr Edelman, the US arbitrageur, announced he would make a bid of 185p a share for the group, but qualified this by saying the bid would be made subject to agreement from the Storehouse board and to financing for the bid having been put in place.

The shares, having opened at 167p, eased slightly to 158p immediately on the news but then raced ahead to 174p before again subsiding and eventually settling a net 8 higher at 162p. Turnover at the end of the session totalled 8.9m shares.

Dealers said speculation had piled into Edelman on hopes that Pennzoll would offer proceeds from its investment in Burlington to help finance a bid for the UK company, itself long-regarded as a potential target for either one of the European or American oil/chemical companies.

But there was considerable scepticism over the likelihood of a Pennzoll offer for Edelman. Mr Keith Morris, part of the oil team at stockbroker Kitcat & Aitken, said investors should see the bid as a bid in Edelman to switch to Ultramar.

Another story was that Mr Edelman had already agreed a price with another potential bidder and that a full scale offer would be revealed on Monday.

Burmah bought

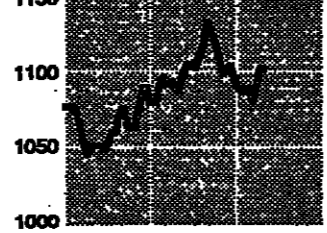
Burmah Oil, the oil and chemicals group, moved up strongly to touch 586p at one point before slipping back to close a net 4 higher at 589p on the back of a bid for the share is about right and recommended shareholders to sit tight. Bupa has been mentioned in the market as a possible buyer of the stake.

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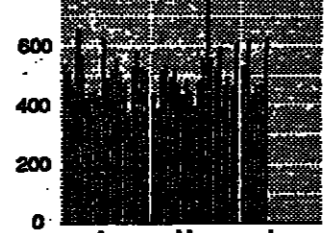
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FT-A All-Share Index



Equity Shares Traded



the measures recommended by the Monopolies and Mergers Commission may not be applied to regional and local brewers. The MMC's chief proposal, that ownership of pubs by individual brewers should be limited to 2,000, remains under consideration and the stock market expects a firm decision before the end of the month.

The brewery sector, which has traded nervously since the report was published, went into ferment early yesterday with both national and regional stocks showing to advantage before generally easing from the highest levels. Analysts remained guarded with Mr Ian Shackleton of Citicorp Scrimgeour Vickers urging caution until the big

question is clarified

"The important point to remember is that we will find out sooner rather than later," said the researcher.

Of the nationals, Bass added 11 at 969p while top spot among the regionals went to Wolverhampton & Dudley, 12 up to 444p, both of which were bought by recent County NatWest Woodmac buys. Greene King firmed to 516p but the most active stock was Guinness. The MMC report has no implications for the group, sentiment in which has been driven since it was published and the shares jumped 12 more yesterday to 606p.

Scottish & Newcastle, which should be affected, were again subject to speculation in which the initial bid was held by Mr John Elliott's Elders DL. The latest report suggested S&N might boost earnings by selling the Thistle Hotels and using the funds to buy part of Elders 23.6 per cent shareholding. S&N shares settled 5 lower at 318p.

Bank Organisation slipped 13 to 864p in tiny volume as some brokers said that this week's analysts' "mega-trip" to Bultins and a film processing plant "told them nothing new". The price had risen ahead of the report, but fell on a positive announcement. Mr Bruce Jones of broker Kitcat & Aitken said the stock was "rated about right for the short term," and is attractive longer term. Figures are due next month.

London-based institutions bought Bechams after a long series of presentations by Mr Bob Bauman, the chairman, on prospects for the merger with SmithKline Beckman of the US. One analyst said that under funds would be buyers of the stock because the merged entity is likely to be entirely London-based and have a greater representation in FT-Actuaries share indices.

banks, the shares approaching

a year's low and closing 1 1/2 cent at 104 1/2p on turnover of 1.2m.

Big two-way activity in Prudential saw the turnover expand rapidly to 5.7m but the shares were barely altered at 190 1/2p at the close of trading. The group's earnings for the first half of 1989, as reported in the Guardian Royal Charter at 198p.

British Telecom made rapid progress, closing an excellent week with a further 8 1/2 rise at 277 1/2p on turnover of 12m; over the week BT shares have risen 31, helped by a revaluation of cellular stocks during the \$6.5bn bid by US cellular radio group McCaw for LIN Broadcasting. Also boosting BT has been switching into the shares from Cable & Wireless and the Rascal firms. The Rascal firms, Mabbutt and Bank Powell, at Nomura Research Institute, issued a note recommending the switch from Rascal Electronics to British Telecom. The Nomura analysts said "BT represents a much lower risk investment than the cellular radio industry than the other quoted vehicles, which have outperformed dramatically in recent months."

Rascal Electronics fell 17 to 549p on turnover of 6.5m and the Rascal firms, Mabbutt and Bank Powell, at Nomura Research Institute, issued a note recommending the switch from Rascal Electronics to British Telecom. The Nomura analysts said "BT represents a much lower risk investment than the cellular radio industry than the other quoted vehicles, which have outperformed dramatically in recent months."

FINANCIAL TIMES STOCK INDICES

	Jun 9	Jun 8	Jun 7	Jun 6	Jun 5	Year Ago	1989 High	1989 Low	Since Completion High	Since Completion Low
Government Secs	84.80	84.96	84.59	84.43	84.43	88.88	88.29	84.43	127.4	49.18
Fixed Interest	95.42	95.38	95.98	96.14	96.25	96.12	96.29	95.36	105.4	50.53
Ordinary	1775.7	1773.0	1750.2	1753.0	1737.0	1468.2	1837.5	1474.9	2114.7	511.75
Gold Mines	188.5	190.2	190.1	180.7	178.5	228.8	196.1	154.7	734.7	43.5

S.E. ACTIVITY

Indices	Jun 8	Jun 7
GIH Edged Bargains	100.6	92.8
Equity Bargains	236.3	187.5
Equity Value	382.5	283.0
5-Day average	154.7	734.7
GIH Edged Bargains	103.5	105.7
Equity Bargains	194.1	191.0
Equity Value	294.3	271.7

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAI system yesterday until 5 pm.

Stock	Value	Units	Price	Change	Stock	Value	Units	Price	Change
ASA Group	5,288	171	31	+	Lawson	1,238	33	37	+
British Telecom	1,350	4	337	+	Leeds & Leeds	1,000	10	100	+
British Airways	1,000	10	100	+	Lloyds Bank	1,000	10	100	+

Offer for parent

AMI Healthcare continued to firm on news that its parent, American Medical International, the Beverly Hills hospital management group which holds 65 per cent of the UK company, had received a second takeover offer. The first offer, on Monday, had already boosted AMI Healthcare's price, which yesterday added 22 at 402p.

Mr Ian Moore, analyst at UBS Phillips and Drew, outlined three possible outcomes of a successful bid. One, the parent might try to purchase the 35 per cent it does not own. Two, it might dispose of the 65 per cent stake either to UK management or to a third party. Three, it might do nothing.

Mr Moore ruled out the last alternative, saying that the takeover bids have been launched amid concern over management of the UK company. The other options

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS	NEW LOWS
British Telecom	British Airways
British Airways	British Airways
British Airways	British Airways

RISES AND FALLS

	Rises	Falls	Same	Rises	Falls	Same
British Funds	8	85	14	250	218	85
Commodities & Foreign Bonds	8	13	21	43	35	35
Equities	387	368	883	2,086	1,790	4,048
Financial and Props	144	126	390	836	983	1,785
Oil	22	22	45	115	123	236
Options	1	1	5	17	38	38
Misc	35	55	88	304	172	419
Others	101	46	97	479	290	471
Totals	794	721	1,498	4,778	3,265	7,182

COMMODITIES

WEEK IN THE MARKETS

Cocoa market gains consolidated

THE COCOA market continued to defy the prophets of doom this week as confirmation of a long-rumoured Ivory Coast sale helped prices to consolidate recent gains.

The July position on the London futures market, which only a few weeks ago had dipped briefly below the \$700-a-tonne mark, closed yesterday at \$217 a tonne. Second position September ended the week with a 53p gain at \$285 a tonne.

Providing the main impetus for this week's rise was a large deal between the Ivory Coast and Philipp Brothers, the big New York trade house, revived rumours of which had driven the September futures price to a 2 1/2-month peak of \$285 a tonne on Thursday morning.

As often happens, however, the confirmation, which came yesterday morning, was greeted with less excitement than the rumour. September cocoa touched \$283 a tonne yesterday morning but finished the day only 23 up at \$285 a tonne.

Under the deal Philipp Brothers - or Fibro as it is familiarly known - is buying 280,000 tonnes of Ivorian beans, representing the balance of the country's 1988-89 crop. This was announced in Abidjan by Mr René Amann, managing

director of the Ivory Coast's Caisse de Stabilisation (commodities marketing board). He said this took 1988-89 sales to 880,000 tonnes, but did not say how much of this consisted of supplies carried over from the previous season. In its March market report Gill & Duffus, the London trade house, estimated the 1988-89 Ivorian crop at 885,000 tonnes.

Neither did Mr Amann give price or shipment details concerning the Philipp deal, saying only that it was based on "current market levels."

Mr Derek Chambers, a Fibro director in London, was more forthcoming. "We hope this works out to be a good deal both for the Ivory Coast and for Philipp Brothers," he said. "... but we will not comment on the details of the deal."

While recognising that the deal does nothing in itself to detract from the weight of stocks overhanging the world cocoa market - estimated by Gill & Duffus at 896,000 tonnes, or about 22 weeks' consumption - traders are concerned that the holding of such a large block by a single operator may limit market access to nearby Ivorian supplies.

The attention of coffee traders was focused firmly this

week on the negotiating session in London on the future of the International Coffee Agreement. And as early news from that meeting did not appear quite so gloomy as had been widely anticipated the futures market managed a modest rally. The September position peaked at \$1,210 a tonne yesterday morning before ending 23p up on the week at \$1,195 a tonne.

Any hope that a new pact could be agreed to replace the present one when it expires in September had quickly been abandoned. But there were signs that an extension to the existing agreement might be within reach.

Even that prospect appeared to be fading yesterday, however, as progress at the talks slowed almost to a standstill. Nevertheless, the possibility of extending the talks into the weekend was not being ruled out.

At the London Metal Exchange meanwhile, base metals markets experienced mixed fortunes. Copper and zinc staged substantial rallies while aluminium continued to lose ground and nickel dipped to a 6-month low.

Cash lead eased back from the highs which had been prompted by fears of a technical supply squeeze, but strong

background fundamentals - particularly the unexpected strength of demand for car batteries - lifted the three months position to the highest level for nearly two years.

Copper had got off to a fairly sticky start, with the cash position falling 22p on Monday in spite of the announcement of another big fall in LME warehouse stocks. Prices then got into an upward course, however, and a 52 1/2 rise yesterday left the cash quotation 228 up on the week at \$1,655 a tonne.

That performance was aided, admittedly, by sterling's weakness against the dollar, but the stocks situation was also, somewhat helplessly, having an impact. Last week's 10,525 tonnes fall to 103,100 had followed one of 17,500 the previous week; and yesterday traders were predicting that a further 5,000 tonnes fall would be announced for this week.

Cash nickel's \$125 fall to \$19,525 a tonne reflected merchant selling and continued lack of consumer demand, while aluminium's \$67.50 decline to \$1,920 a tonne - its lowest since mid-March - was influenced by talk of a 10,000 tonnes LME stocks rise for this week, which would take the total above the 100,000-tonne mark.

Richard Mooney

LEADERS AND LAGGARDS

Percentage changes since December 30 1988 based on Thursday June 8

Transport	+ 35.72	Oil & Gas	+ 16.86
Agencies	+ 32.00	Consumer Group	+ 16.51
Mechanical Engineering	+ 28.62	Brewers and Distillers	+ 16.29
Building Materials	+ 27.45	Gold Mines Index	+ 17.48
Electronics	+ 27.28	Stores	+ 16.78
Food Retailing	+ 26.82	Food Manufacturing	+ 14.78
Construction	+ 25.16	Insurance(Life)	+ 14.35
Motor	+ 25.16	Engineering/Construction	+ 14.25
Electricity	+ 24.15	Banking	+ 11.23
Capital Goods	+ 24.15	Mining Finance	+ 10.72
Other Industrial Materials	+ 23.70	Brewers and Distillers	+ 10.72
Health & Household Products	+ 22.84	Financial & Paper	+ 9.16
Investment Trusts	+ 22.84	Telephone Networks	+ 8.78
Chemicals	+ 22.82	Textiles	+ 8.78
Leisure	+ 21.51	Advertising & Printing	+ 8.57
Property	+ 21.51	Insurance(Compo)	+ 8.57
600 Share Index	+ 21.13	Insurance(Brokers)	+ 6.88
Other Industrial Materials	+ 20.20	Merchandise	+ 4.56
Metals & Metal Products	+ 19.59	Overseas Traders	+ 1.95
All Share Index	+ 18.98		

BENCHMARK GOVERNMENT BONDS

	Coupon	Red	Price	Change	Yield	Week ago	Month ago
UK GILTS	13.200	9/2	105.20	-11.22	11.38	11.37	11.28
	9.750	1/8	94.22	-13.32	10.71	10.70	10.30
	6.000	10/8	98.28	-16.32	8.70	8.70	8.32
US TREASURY	9.125	6/8	105.10	+26.32	8.17	8.51	8.20
	107.200	3/8	107.20	+5.32	8.51	8.51	8.51
JAPAN No 111	6.000	1/2	94.10	-0.54	5.44	5.38	5.35
	5.700	3/4	105.3894	-0.89	5.12	5.12	5.08
GERMANY	6.375	11/8	96.500	+0.05	6.87	6.86	7.00
FRANCE BTAN	8.000	1/4	96.747	+0.04	8.88	8.84	8.95
	8.125	5/8	96.000	+0.02	8.73	8.78	8.87
CANADA	10.250	12/8	105.700	+0.37	9.32	9.54	10.10
NETHERLANDS	6.750	10/8	96.050	-0.75	7.25	7.37	7.28
AUSTRALIA	12.000	7/8	97.242	+0.27	13.73	13.80	13.45

APPOINTMENTS

Mobil finance director

Mr Rex W. Willoughby has been appointed accounting and finance director of MOBIL OIL COMPANY, London, from August 1. He was manager, accounting and finance, Mobil Oil Southern Africa, Cape Town, and replaces Mr Dan Riddell who returns to Mobil Corporation, New York, as manager, financial analysis and controls.

Sir John Riddell, private secretary to the Prince and Princess of Wales, will become deputy chairman of CREDIT SUISSE FIRST BOSTON in the middle of next year. He has been an executive director of the bank for many years.

Dr Hinford H. Putnam has joined KLEINWORTZ HENSON as a director and chief economist. He was head of Morgan Stanley's international fixed income research team,

Ms Eileen Dawson as an asset manager

Ms Eileen Dawson as an asset manager. She was a director of Henderson Financial Management.

PIERI & HOLLAND (UNDERWRITING AGENCY) has received Lloyd's approval for the appointment of Mr P.E. Holland as managing director, and Mr P.J. Miller as a director.

BRITISH & COMMONWEALTH MERCHANT BANK has promoted Mr Jonathan Messing to assistant director in the corporate finance group.

Mr Blaise Hardman has been appointed vice chairman of CREDDIP FINANCE, London subsidiary of Credip, of the Italian medium and long-term banking institution. He is a non-executive director of Matthew Clark & Sons (Holdings), and Murray International Trust, and a former chairman of Morgan Grenfell & Co.

From June 30 Mr E.L. Grayson becomes investment director of COMMERCIAL UNION ASSET MANAGEMENT with responsibility for fund management operations, in addition to his duties as joint deputy managing director.

Mr Michael Quentin Walters has been appointed a non-executive director of TILBURY. He was a senior partner of Theodore Goddard.

Mr K. Taketazu has been appointed deputy managing director and financial director of THE YASUDA FIRE AND MARINE INSURANCE COMPANY OF EUROPE. Mr K. Adachi becomes general manager and director, and Mr A.D. Gasking and Mr C.I. Thornton as made assistant general managers.

Mr Philip Couse, (above) as partner in Coopers & Lybrand

Mr Philip Couse, (above) as partner in Coopers & Lybrand, Birmingham, has been elected president of THE INSTITUTE OF CHARTERED ACCOUNTANTS in England & Wales.

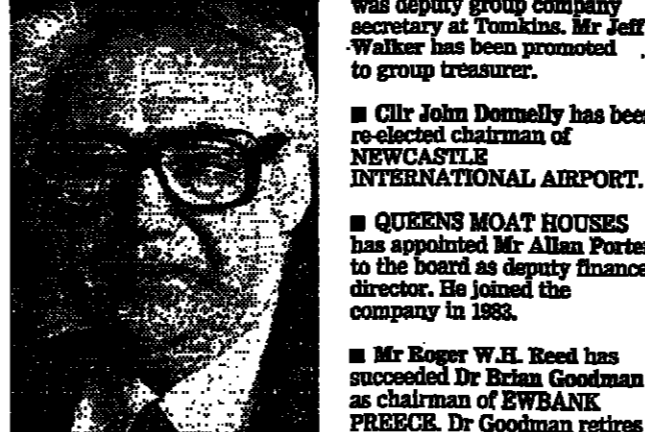
as managing director. He joins from another Fosco company, Fospar, where he was sales director.

TARMAC industrial products division has appointed Mr Paul Booth as managing director of its specialist contracting group, which includes Briggs Amasco, roofing and cladding contractor. He was deputy managing director, and succeeds Mr Archie McKinley who is retiring.

TATE & LYLE has appointed Mr J.H. Metcalf as group financial controller. He was divisional director, finance & planning, of Tate & Lyle Sugars.

Mr B.H. McFarland has been appointed construction director of BALFOUR BEATTY HOMES (SCOTLAND).

MURRAY JOHNSTONE PERSONAL ASSET MANAGEMENT has appointed



Mr Jimmy Knapp, (above) general secretary of the National Union of Railwaymen, has been elected president of UNITY TRUST BANK, the trade union and co-operative financial institution.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2128

AUTHORISED UNIT TRUSTS

Main table containing unit trust information, including columns for Unit Name, Unit Price, and other financial details. The table is organized into multiple columns and rows, listing various unit trusts and their corresponding prices.

GUIDE TO UNIT TRUST PRICING. This section provides detailed information on how unit trust prices are calculated, including a table with columns for 'Unit Price' and 'Net Asset Value' and explanatory text regarding the calculation process.

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-925-2123

Main table of unit trust prices, organized by company and fund name. Includes columns for fund name, price, and change. Companies listed include Winkler Trust, Allied Dunbar, City of Edinburgh, and many others.

INSURANCES

Table listing insurance companies and their unit trusts, including details like fund names and prices.

Continuation of the main unit trust price table, listing various funds and their current prices and movements.

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 01-625-2128

Main table containing unit trust information with columns for Name, Price, and other details. Includes sub-sections like 'MANAGEMENT SERVICES', 'OFFSHORE AND OVERSEAS', 'GUERNSEY (SB REGISTERED)', 'LUXEMBOURG (SB REGISTERED)', 'SWITZERLAND (SB REGISTERED)', and 'GUERNSEY (**)'.

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SB REGISTERED)

LUXEMBOURG (SB REGISTERED)

SWITZERLAND (SB REGISTERED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

Table of FT Unit Trust Information Service listing various unit trusts with columns for Name, Price, Yield, and other financial metrics.

LONDON SHARE SERVICE

Table of London Share Service listing various share funds and unit trusts with columns for Name, Price, Yield, and other financial metrics.

COMMONWEALTH & AFRICAN LOANS

Table of Commonwealth & African Loans listing various loan products with columns for Name, Price, Yield, and other financial metrics.

FOREIGN BONDS & RAILS

Table of Foreign Bonds & Rails listing various international bond and rail investments with columns for Name, Price, Yield, and other financial metrics.

AMERICANS

Table of Americans listing various American stock and bond investments with columns for Name, Price, Yield, and other financial metrics.

MONEY MARKET BANK ACCOUNTS

Table of Money Market Bank Accounts listing various bank account products with columns for Name, Price, Yield, and other financial metrics.

OTHER OFFSHORE FUNDS

Table of Other Offshore Funds listing various offshore investment funds with columns for Name, Price, Yield, and other financial metrics.

OFFSHORE INSURANCES

Table of Offshore Insurances listing various offshore insurance products with columns for Name, Price, Yield, and other financial metrics.

UNIT TRUST NOTES

Text providing detailed notes and information regarding unit trusts, including performance metrics and investment strategies.

MONEY MARKET TRUST FUNDS

Table of Money Market Trust Funds listing various money market fund products with columns for Name, Price, Yield, and other financial metrics.

LONDON SHARE SERVICE

Latest Share Prices are available on FT Cityline. To obtain your free Share Code Booklet ring the FT Cityline help desk on 01-825-2128

AMERICANS - Contd

Table listing American companies such as American Express, American International Group, and American Overseas, with columns for stock price, bid, offer, and volume.

CANADIANS

Table listing Canadian companies such as Canadian National, Canadian Pacific, and Canadian Tire, with columns for stock price, bid, offer, and volume.

BANKS, HP & LEASING

Table listing financial institutions and leasing companies such as Bank of America, Citicorp, and Finance Trust, with columns for stock price, bid, offer, and volume.

BEERS, WINES & SPIRITS

Table listing beverage companies such as Anheuser-Busch, Heineken, and Intercontinental, with columns for stock price, bid, offer, and volume.

BUILDING, TIMBER, ROADS

Table listing construction and infrastructure companies such as Bechtel, Fluor Daniel, and Parsons Brinckerhoff, with columns for stock price, bid, offer, and volume.

DRAPERY AND STORES - Contd

Table listing retail and clothing companies such as Debenhams, Debenhams Group, and Debenhams Retail, with columns for stock price, bid, offer, and volume.

ELECTRICALS

Table listing electrical and electronics companies such as Amstrad, Philips, and Philips Electronics, with columns for stock price, bid, offer, and volume.

FOOD, GROCERIES, ETC

Table listing food and grocery companies such as Borden's, Borden's Food, and Borden's Retail, with columns for stock price, bid, offer, and volume.

HOTELS AND CATERERS

Table listing hotel and catering companies such as Intercontinental Hotels, Intercontinental Hotels Group, and Intercontinental Hotels Retail, with columns for stock price, bid, offer, and volume.

INDUSTRIALS (Misc.)

Table listing various industrial companies such as Amstar, Amstar Group, and Amstar Retail, with columns for stock price, bid, offer, and volume.

INDUSTRIALS (Misc.) - Contd

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INSURANCES

Table listing insurance companies such as American International Group, American Overseas, and American Overseas Group, with columns for stock price, bid, offer, and volume.

LONDON SHARE SERVICE

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INSURANCES - Contd. Table listing various insurance companies and their share prices.

LEISURE. Table listing leisure-related companies and their share prices.

MOTORS, AIRCRAFT TRADES. Table listing companies in the motor and aircraft trades.

Commercial Vehicles. Table listing commercial vehicle companies.

Components. Table listing component manufacturers.

Garages and Distributors. Table listing garage and distributor companies.

NEWSPAPERS, PUBLISHERS. Table listing newspaper and publishing companies.

PAPER, PRINTING, ADVERTISING. Table listing paper, printing, and advertising companies.

SHIPPING. Table listing shipping companies.

SHOES AND LEATHER. Table listing shoe and leather companies.

SOUTH AFRICANS. Table listing South African companies.

PAPER, PRINTING, ADVERTISING - Contd. Table listing paper, printing, and advertising companies.

PROPERTY. Table listing property-related companies.

TOBACCO. Table listing tobacco companies.

TRUSTS, FINANCE, LAND. Table listing trusts, finance, and land companies.

Investment Trusts. Table listing investment trusts.

Finance, Land, etc. Table listing finance, land, and other companies.

Oil and Gas. Table listing oil and gas companies.

Overseas Traders. Table listing overseas traders.

Plantations. Table listing plantation companies.

Mines. Table listing mining companies.

Central Rand. Table listing Central Rand companies.

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O.F.S. Table listing O.F.S. companies.

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Central African. Table listing Central African companies.

Flint. Table listing Flint companies.

TEXTILES. Table listing textile companies.

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Regional & Irish Stocks. Table listing regional and Irish stocks.

Traditional Options. Table listing traditional options.

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Oils. Table listing oil companies.

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NOTES. Text providing additional information and disclaimers regarding the share prices.

REGIONAL & IRISH STOCKS. Text providing information about regional and Irish stocks.

TRADITIONAL OPTIONS. Text providing information about traditional options.

PROPERTY. Text providing information about property companies.

OILS. Text providing information about oil companies.

MINES. Text providing information about mining companies.

Regional & Irish Stocks. Text providing information about regional and Irish stocks.

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FINANCIAL TIMES

Weekend June 10/June 11 1989

Royal Wootton Bassett
THE FINEST ENGLISH FULL LEAD CRYSTAL

An expression of Solidarity from a patriotic penthouse-dweller

WHEN IN London, she stays at the Connaught Hotel. She is attended by three smart lawyers, is driven in a Rolls-Royce - and wears a Solidarity badge. From next January, if plans stay on course, she will be the owner of the Lenin shipyard in Gdansk.

Polish American multimillionaire and art collector Mrs Basia (Barbara) Plasecka Johnson was in Britain last week adding bronzes to her art collection, attending II Trovatore at Covent Garden and dining with his star and her old friend Placido Domingo. The visit was in poignant contrast to the one she made to Poland the week before to meet management and representatives of the shipyard she had decided to buy on the spur of the moment after meeting Mr Lech Walesa, the Solidarity leader.

Mrs Johnson's announcement that she plans to buy the yard has made her the heroine of Gdansk, Poland's largest shipbuilding centre and home of Solidarity, which this week won overwhelming support in elections to a new parliament.

Last weekend, Mrs Johnson was the main subject of a sermon by Monsignor Jankowski, the "Solidarity priest", in Gdansk's St Brygidka's church; she tearfully addressed a large crowd outside and was the principal guest at a party given by Mr Walesa. As well as lifting hopes, she aroused much

John Lloyd meets the lady with everything but the Lenin Shipyard

speculation and puzzlement within Poland because details of her projects were few. She also plans to unveil her priceless collection of old masters and bronzes for the first time in Warsaw, and to lead what she hopes will be a rush of rich "Polonia" emigré Poles - back to their native land with cash and expertise.

In an interview with the Financial Times in London, Mrs Johnson, whose late husband was Mr Seward Johnson, a member of the family which owns Johnson and Johnson, the drugs and baby products company, said the success of shipbuilding in Gdansk was due overwhelmingly to its



workers. She has called for a compact between the workers and Poland's Communist leaders to rebuild the economy.

Her decision to buy the yard was taken in an instant, when she was introduced to Mr Walesa by Monsignor Jankowski during a Corpus Christi procession by January 1 1980. Solidarity itself has said that she will invest \$100m (£63.5m) in the yard; she will neither confirm nor deny the figure.

"The people in the yard were very glad when I signed: women among the representatives were crying. There is a great potential there; they are very skilful people. They are now designing new models of ships which are very unusual. They wanted me, and wanted changes in the yard. The workers made it famous in the past; they will make it profitable in the future."

Her letter of intent specifies that she will own 55 per cent of the yard, with the remaining stake held by the management and by Solidarity, Solidarity's support, and proposed willingness to work hard, is, she says, the base of her confidence in the yard's future.

Mrs Johnson believes it will make profits, in spite of its present £210m (£2.5m on the premium exchange rate) annual loss, low productivity and ageing equipment - the main factors which persuaded Mr Mieczyslaw Wilczek, the Polish Industry Minister, to announce its closure last year.

By contrast, on her visit to the yard, Mrs Johnson invited those workers who intended to leave to stay, calling for those who had already left to return.

The magnitude of the problem has aroused scepticism over whether she can succeed. However, she stressed that she was not a newcomer to the world of shipbuilding, or to Gdansk workmanship.

Her late husband, with her assistance, built up the Harbour Branch Foundation, a Miami-based shipyard specialising in the construction and repair of oceanographic submarines and equipment. "This was not the first time I saw a shipyard, when I went to Gdansk," she said.

Further, her husband had ordered a yacht, the *Mazzella*, to be designed by the Gdansk yard in 1975 (though it was built in Szczecin).

Mrs Johnson left her native Wrocław, in southern Poland, 20 years ago for the US. She was then a working art historian, and her access to wealth on her marriage has allowed her to build up a massive and valuable collection - one which includes two Caravaggios, each of which is estimated to be worth \$25m. She unveils the collection, previously unseen, in Warsaw on September 8, from where it travels to other European capitals and the US.

On the current position of Poland she says: "I don't want to hear the words East and West any more - we should be beyond them."

"Solidarity had an enormous victory in the elections; but they must work. Solidarity and the Government must find a way of working together - they must - and then both sides can create great opportunities for Poland."

Political void opens, Page 7

'Cut sought' in Clowes' £1,000 a week deal

By Richard Waters

MR PETER Clowes, former head of the Barlow Clowes investment group, appeared yesterday to have fallen out with the group's liquidators over the renewal of a settlement under which he is paid living expenses of £1,000 a week.

The deal, made a year ago, is due to expire on Monday. In the action to end a week, Mr Clowes agreed to help the liquidators with their investigations. He also assigned assets worth £25m over to them. Unless the assignments are renewed, or the liquidators refuse to accept them, Mr Clowes's assets, which would be returned to him after Monday.

In an apparent attempt to forestall this, the joint liquidators, Cork Gully and Ernst & Whinney, issued a writ against Mr Clowes on June 2, while

negotiations over renewing the settlement were still continuing. The writ seeks the repayment from him of £69m.

The assets covered by the assignments made last year included property, shares in several companies and the yacht *Boukephalos*.

The liquidators are known to have been severely embarrassed by the £1,000 a week payments, particularly as many elderly investors in Barlow Clowes have suffered financial hardship since the group collapsed.

This is likely to have led them to seek a reduction in the amount of the payments, in consultation with Mr Clowes over renewal of last year's agreement. Mr Michael Jordan, senior partner of Cork Gully, refused yesterday to comment on the case, except to confirm that a writ had been issued.

Sakharov takes the rostrum

By Quentin Peel in Moscow

MR Mikhail Gorbachev, confirmed in his position as the most powerful Soviet head of state since Josef Stalin, yesterday called a halt to the stormy proceedings of the one-off Congress of People's Deputies with a sweeping speech intended to redefine the basic concepts of socialism.

He pleaded for the individual to become the centre of a restructured socialism, for radical changes in the socialist concepts of property relations, and the promotion of a market regulated by economic, not administrative, rules.

Yet his domination of the extraordinary event was shared to the very end with one other man: Dr Andrei Sakharov, father of the Soviet atom bomb and more clearly than ever the consciousness of the nation, who demanded the abolition of the leading role of the Communist Party from the Soviet constitution.

Dr Sakharov managed to take the rostrum in the closing minutes, to deliver a plea for

radical restructuring of the entire system of power in the country, making the new Congress the supreme authority, abolishing Article 6 of the constitution and the Communist Party's monopoly on power, and bringing both armed forces and KGB under elected authority.

Delivered in an often quavering voice, and interrupted by Mr Gorbachev's own attempts to silence him, Dr Sakharov's political testament stole the thunder of the closing session.

In spite of being dominated by an overwhelming conservative majority, and voting on almost every occasion against democratic initiatives, the Congress proved to be a remarkable theatre of once-bareheaded views broadcast nationwide.

Mr Gorbachev's closing statement itself goes against most Soviet orthodoxy since it called for a "revolution" although he sought the middle ground between the conservative and radical wings of his increasingly divided party.

The Congress he described as "the major event in the whole history of the Soviet state," insisting that the airing of criticism, and the clamour of national demands from non-Russian republics, was part of a "broad discussion and confrontation of views."

Dr Sakharov, who was increasingly interrupted, was clearly far more doubtful, demanding an emergency session of the Congress to approve a six-point "Decree of Power," to bring the apparatus of the one-party system under the control of elected deputies.

He directly challenged Mr Gorbachev's authority, both as party leader and executive president. "It is dangerous, even if the power is concentrated in the hands of the initiator of perestroika," he said.

"We need a perestroika whereby the individual and the collective are given equal rights to become the masters of production with the profound consequences thereof."

Initiative unlikely, Page 2

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)		PARIS (FFr)	
Riesse	865 + 5	Riesse	790 + 14
Feldmühle	558 + 0.1	Orsan	481 + 19
Rheinmetall	400 + 10	Saint Louis	1357 + 19
Pharm		SSN	670 - 8
Hoesner	455 - 7	Havas	955 - 12
Schering	673.7 - 6.2	Sti Rossmann	1250 - 11
Varta	570 - 8	TOYO (Yen)	
NEW YORK (\$)		Riesse	
Time Inc.	189 1/4 + 1 1/4	Japan Metals	1120 + 90
USX	433 + 1 1/4	Nissin Kisen	2200 + 160
Williams Co's	38 1/4 + 1 1/4	Toyo Telecom	1820 + 150
Puffs		Puffs	
Boeing	79 1/2 - 7/8	Caroline	885 - 43
Paramount	57 - 1/8	Shimada	1220 - 70
Warner Comms.	55 1/2 - 5/8	Toyota Sukuhan	2200 - 200

LONDON (Pence)		Riesse	
AMI Healthcare	402 + 22	Reed Int.	245 + 4
Antioch	433 + 9	Stovohase	182 + 8
Brit. Telecom	277 1/2 + 8 1/2	Wolv. & Dudley	444 + 12
Burmah Oil	594 + 5	Puffs	
Edpa Group	506 + 4	Dalgety	357 - 2
Guinness	472 + 8	Doctus	128 - 7
Kwik Save	472 + 8	Racal Elect.	547 - 17
Lucas Inds.	649 + 16	Redland	578 - 14
Lyon & Lyons	57 + 69	Rugby Group	295 - 6
NorthWest Bank	597 + 9		
Poly Pack Int.	280 + 8		

WORLDWIDE WEATHER

City	Temp	Wind	Cloud	City	Temp	Wind	Cloud
Abuja	28	12	12	London	17	12	12
Algeria	28	12	12	Madrid	17	12	12
Amman	28	12	12	Moscow	17	12	12
Antwerp	17	12	12	Mumbai	28	12	12
Bahia	28	12	12	Nairobi	28	12	12
Bangkok	28	12	12	Rangoon	28	12	12
Barcelona	17	12	12	San Francisco	17	12	12
Berlin	17	12	12	Singapore	28	12	12
Bombay	28	12	12	Sofia	17	12	12
Buenos Aires	17	12	12	Stockholm	17	12	12
Calcutta	28	12	12	Taipei	28	12	12
Cardiff	17	12	12	Tokyo	28	12	12
Cairo	28	12	12	Ulaanbaatar	17	12	12
Canberra	17	12	12	Vancouver	17	12	12
Canton	28	12	12	Warsaw	17	12	12
Chicago	17	12	12	Wellington	17	12	12
Copenhagen	17	12	12	Yokohama	28	12	12
Dakar	28	12	12				

BANGKOK 28°C 84°F Sunny

Fly Thai 01-499 9113

Japanese car parts group bids for ex-Rover components maker

By Kevin Done, Motor Industry Correspondent

CALSONIC, an associate company of Nissan, Japan's second largest car maker, is seeking to take over Llanelli Radiators Holdings, the South Wales automotive components maker, in a deal worth almost £15m.

The proposed takeover is one of the first moves by a Japanese automotive components maker to establish a presence in Europe through acquisition. It is an important member of the Nissan "family" of component suppliers in Japan.

Calsonic's bid for Llanelli Radiators has already been accepted by the company's main shareholders, the Llanelli Radiators management, Rover Group and Barclays de Zoete Wedd, which control around

70.6 per cent of the ordinary shares. The offer to employee shareholders has been recommended by the board.

Llanelli Radiators was sold by Rover Group in 1987 in a management buy-out which included an employee share ownership scheme.

The company, which is forecasting a turnover of about £44m this year, has a full-time workforce of 890 as well as more than 100 temporary employees.

It supplies all the radiators for Austin Rover cars and Land Rover vehicles, and is the sole supplier of cooling systems for Nissan's UK-built Bluebird.

Imports feed demand, Page 3

most due to higher car prices and the dollar's rally.

On the stock market, the Dow Jones Industrial Average was quoted 3.31 points lower at 2,513.80 at midday.

Dollar surges Continued from Page 1

reported for May, the US Treasury bond market confounded logic by jumping more than a full point. The yield on the benchmark long bond was quoted 1 1/4 points higher, tak-

ing it to 8.16 per cent - its lowest level since April 1987. Yesterday's startling bond rally appears to result from scepticism about the PFI gain, which traders argued was

mostly due to higher car prices and the dollar's rally.

On the stock market, the Dow Jones Industrial Average was quoted 3.31 points lower at 2,513.80 at midday.

EC curbs agreed Continued from Page 1

endorsed enthusiastically in April by the European Parliament. These cover carbon monoxide, hydrocarbons and nitrogen oxide emissions.

The new standards will be compulsory from July 1, 1992, for new models and after December 31, 1992 for all new cars.

A community framework for national tax incentives will enable member countries to subsidise up to about 85 per cent of the cost of fitting catalytic converters, the only technology now of meeting the EC norms.

Car manufacturers last night appeared relieved that the uncertainty was over and undismayed by the tighter standards or the shorter timetable. The Society of Motor Manufacturers and Traders welcomed the controls but warned that the price of some new cars could rise by up to 800.

A spokesman said: "We welcome the fact that the rules will be mandatory. This, at least, means that all the member states of the Community will be playing on the same sort of pitch."

Most European manufactur-

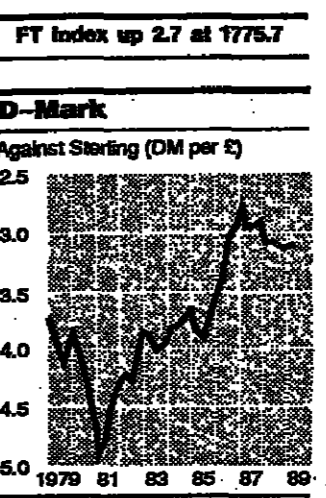
ers already produce optional catalyst versions of their left-hand-drive cars because countries such as Switzerland have already adopted emissions controls, and executive car makers such as BMW, Mercedes and Jaguar, have needed to service the UK market.

UK market leader Ford, second-placed Vauxhall and the Austin Rover group plan to be offering modified versions of all car ranges within 12 months. Austin Rover is already offering catalyst-equipped versions of its Rover Sterling/800 model in the UK.

A dollar break for equities

It has been a curious week. It began with the first modest easing in US monetary policy with a worrying set of US producer price figures. Yet the US bond market has gone from strength to strength; the 100 basis points drop in long bond yields since Easter has been a major force behind Wall Street's strong performance, which in turn has prevented the London equity market from becoming totally dominated by the UK's obvious economic problems.

It is hard to see why the US bond market should continue to have such a benign influence on equities. The US economy is slowing down, but US producer prices have been growing at an annual rate of 9.4 per cent so far this year; and if the US dollar did not continue to behave with such surprising strength, US long bond yields would be heading considerably higher, rather than lower. However, in the short term the dollar is likely to remain strong for no other reason than that it is a safe haven in troubled times; and if the Fed's anti-inflation stance is to be belayed, yesterday's price figures should rule out any further monetary relaxation.



The combination of Wall Street and a stream of terrific takeover rumours have underpinned London, even though long gilt yields have been rising. Sterling ended the week looking even more fragile than usual; and the worry for the equity market must be that if there are any nasty surprises in next week's rash of UK economic statistics, the foreign exchange markets may decide to test the Chancellor's resolve to curb inflation by preventing any further depreciation in the exchange rate. Failing this, the market's resilience could easily be punctured by a few sizeable rights issues or the emergence of some nasty earnings stories - both of which are overdue.

FT Index up 2.7 at 1775.7

D-Mark
Against Sterling (DM per £)

2.5
3.0
3.5
4.0
4.5
5.0

1979 81 83 85 87 89

In the end, the investors who bought this week may turn out to have got rare bargains. But at least for now, any arguments about pie multiples or yields are academic, as the locals - who probably have measurements even less attention than usual in any case, there seems little point in projecting forward either earnings or dividends, as what they will be beyond this year is anyone's guess.

Instead, the market is interested exclusively in the power struggle in Peking and in the extent to which it is impossible to gauge what its present analysis is. That may not matter too much: investors' political forecasting horizons spans miles rather than years, so more bad news of any description could send prices down further. At least the market is not having to deal with the sort of mass redemptions from the unit trusts that upset things so badly at the time of the crash. Having sold at the bottom in October 1987, more of them seem prepared to hang on this time.

Storehouse

Yesterday may have been more exciting than most for Storehouse shares, but the market's dilemma remains as deep as ever. The day began with Mr Asher Edelman making what was not an offer for Storehouse and ended with Storehouse issuing what was not a refusal. None of this alters the fact that Mr Edelman will probably remain under Takeover Panel surveillance as a potential bidder and the clock ticks aimlessly on.

To complete the list of things

Hong Kong

The 8 per cent recovery in the Hong Kong stock market over the last four days has a distinctly fragile feel about it. The news picture from Peking may have got less distressing, but the implications for Hong Kong are no clearer than before. Perhaps the Japanese analyst who says that the market is braver than most, simply can't resist a market on a p/e of around 7 and are prepared to overlook the dependence of the industrial sector on China when these stocks sell on barely twice this year's earn-

Amstrad

The slump in Amstrad's share price in the past couple of days is further illustration of how desparately volatile the stock has become. The price at one point yesterday was 79p, down 16 per cent in 24 hours; by coincidence, it was also precisely one third of the peak reached 10 months ago. Nothing has actually happened, except that one broker has astutely decided that this was a good time to slash its forecast for the year to June 1990. Since the market no longer has the faintest idea of Amstrad's prospects that far out, the stampede was easily arranged.

The worries are familiar: production problems with the new PC2000, the slump in consumer demand for brown goods and, perhaps above all, the question of whether the management is capable of handling the complex structure Amstrad has become. Until the full-year figures in September, by which time the company should have a fair idea of orders for the Christmas season, the market is groping for a valuation. But there is one simple backdrop. Though Mr Sugar has never shown interest in taking his company private, a worst-case cash flow of, say, £80m next year would easily cover the exercise: at £1 a share, the cost would be only \$80m.

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Weekend FT

SECTION II

Weekend June 10/June 11, 1989

THE MIGHTY trunk of the Brazil nut tree, rising to the canopy of the rainforest, is a noble sight. Some are more than 500 years old and throughout Amazonia they are a protected species. But when the forest is cleared, they become the sorriest of spectacles. Left alone, they stand like vast sentinels abandoned by a passing army. Too often indiscriminate slash-and-burn clearance leaves the massive trunks scorched and lifeless, the branches in petrified relief against the green tropical skies. In Acre, the westernmost state of Brazil huddled against the frontier with Bolivia and Peru, such tall symbols of the rainforest's destruction are beginning to have some impact. Acre is the first of Brazil's Amazon states to develop at least the outward signs of a "green conscience."

"This is Brazil's last frontier, the least developed state and we intend to ensure there is rational development," says Flaviano Melo, Acre's governor since 1986. Bold words, which the 38-year-old governor emphasises in the state's new slogan - "the green state with new ideas." He is determined to halt the kind of destruction wrought in neighbouring Rondonia where a combination of land-hungry peasants, cattle ranchers and fortune-hunting miners have removed as much as 20 per cent of the state's rainforest.

The state is a microcosm of every contentious issue confronting Amazonia: uncontrolled immigration, ruthless landowners, impoverished peasants, lack of policing. Moreover, the broader issue of development versus conservation is brought into sharp focus by a controversy over plans to build the all-weather road link across Acre, Highway 364, which would in turn go to Peru, providing access to the Pacific.

Nevertheless, Acre is small enough and sufficiently undeveloped to ensure the worst excesses, committed elsewhere, are not repeated. Acre accounts for under 2 per cent of Brazil's population, but 5 per cent of the Amazonian rainforest. So far approximately 5 per cent of the state's 152,000 square kilometres have been deforested and three-quarters of this is in a radius of some 200km round the capital Rio Branco," says Jorge Macedo Neves, research director of Funtac, a newly created state environmental research institute. This represents a minute proportion of the overall deforestation of Amazonia, where an area more than double the size of the entire state of Acre has been burned and cleared already.

As governor, Melo finds himself caught in the cross-fire of conflicting interests. "On one side there are the ecologists, who won't accept the removal of even a banana tree, and on the other the businessmen, ranchers and timber merchants who want to knock down everything."

The state's new-found conservationist conscience is the result of a long and bitter ecological lobby argues that it has been forced on the authorities in the wake of the murder, last December, of Chico Mendes, head of the rubber tappers union. Mendes had established himself as the most prominent Brazilian campaigner for the rainforest. He was shot, allegedly at the instigation of the big land developers, almost overnight converted him into an ecological martyr at home and abroad.

Graffiti daubed on the walls of Rio Branco credit him with near sainthood. The timber, woodpecker, and bird-stills, in the sleepy provincial town of Xapuri, where Mendes was gunned down, has been converted into museum with a few pathetic mementoes. A foundation has been formed, presided over by his glamor-



The road to Acre: an invitation to progress or destruction?



The last frontier

Robert Graham weighs up the latest controversy on the fate of the Amazon rainforest

ous widow, who has suddenly become a media star.

"The death of Chico Mendes has been like the landing of a meteor, exposing all the corruption and problems which the government has chosen to ignore," says Father Andre Ficarelli, an assistant to the Bishop of Acre, outspoken critic of Brasília's laissez faire attitude towards the state.

At the time of his death, Chico Mendes was under official police protection: a chilling reminder that while conservation is debated in elegant international conference halls, on the ground in Acre these matters are still resolved in the manner of the Wild West. The judge hearing the case has received death threats, so have local deputies, rubber tapper unionists, investigative journalists plus the bishop.

The whole Mendes story has now acquired such symbolic overtones that increasingly the complex issues at stake are simplified into Good forest people against Evil fazendeiros. Several film scripts were hastily prepared, on that basis, portraying the life of Chico Mendes, and the rights to the film have just been sewn up after fierce competition.

Until the late 19th century the entire region was untouched except for a few intrepid explorers who had ventured from Manaus up some of the Amazon's tributaries. Much of present-day Acre was an ill-defined no man's land of virgin forest that could be claimed with equal validity by Bolivia, Brazil and Peru. It only began to attract attention with the advent of the

rubber boom in the 1880s.

When Bolivia prepared to exploit the rubber in this region with US backing, Luis Galvez, an adventurous Spaniard, managed to persuade the governor of Amazonia to let him have a small river vessel and a detachment of troops to secure Brazilian interests in the rubber trade. Galvez sailed up the River Acre and declared an independent republic - naming himself president - appropriately on July 14.

Although Galvez was removed by federal troops within six months, his quixotic venture alerted the government to the existence of Acre. As a result Brazil, in an exchange of land and a \$2m payment, settled in 1903 the present 618km long frontier with Bolivia. A year later Acre was formally declared a state and, in 1908, the 1585 km frontier with Peru was formalised. Full statehood was not conferred on Acre until as late as 1962.

Acre became a key supplier of Brazilian rubber until the collapse of the boom at the onset of the First World War and, thereafter, was relegated to oblivion. The modern exploitation of Acre is a phenomenon of the Seventies, reflecting the natural expansion of the Brazilian economy and the hunger for new frontiers in an extraordinarily mobile society. People think little of journeying 5,000 kilometres to establish a new life. Within a decade the population increased by more than one third to 300,000.

The impact on the land was dramatic. In 1970 only 122,000 hectares had been cleared

for cattle-ranching. Five years later it had risen to 4.2m ha and now it is believed to be well over 6m ha. Put another way, almost 5 per cent of the state's virgin forest has disappeared in the last 15 years, while the population has doubled to more than 400,000.

This clearance, (currently costing \$250 a hectare), has been carried out over 80 per cent in large-scale agricultural development, and very little by small slash-and-burn settlers. The state owns relatively little land, with the majority bought up by private and corporate speculators from Sao Paulo. The purchase of virgin forests by such groups not only encouraged indiscriminate clearance but fomented conflict between the traditional and new users of these resources.



"You've got the large landowners, the fazendeiros and the timber merchants who want to maximise their earnings through forest clearance," says Jorge Macedo, of Funtac. He adds "These people are pushing the smallholders further from populated areas or forcing them into the shanty parts of Rio Branco. At the same time the seringueiros, the rubber tappers, find it harder to hang on to the areas of forest where, traditionally, they have worked - each seringueiro operates a tapping area of 800 hectares from which he collects about 18 kilos a day of rubber."

The situation is complicated by virtue of the large estates being run by absentee landlords through foremen - the capatazes who are under great pressure and strong financial incentives from the landowners to produce results. This not only encourages the capatazes to clear as much land as possible but, because their masters have kept the authorities sweet with money, they are allowed to hold sway over

the countryside with their gunmen.

According to Mirko Soares, the capataz for a large fazendeiro: "The ecologists are wrong when they say this land is no good for cattle - it is excellent and highly profitable." However, he concedes that too much land has been cleared in an unplanned way and that most farming is done with minimal technological inputs.

Mendes realised the 24,000 odd seringueiros were fighting a rearguard action to preserve an industry which was no longer competitive and he responded by organising non-violent sit-ins on the estates. He also lobbied the government in Brasilia to accept the concept of "extractive reserves" to preserve the tappers' business. "He was asking for trouble," seems to be a standard response from men like Mirko Soares, who himself was briefly detained on suspicion of having been involved in Mendes' killing.

Rather than be intimidated by Mendes' death, the rubber tappers union has drawn renewed strength and is firmly backed by the left wing Workers Party (PT) and by the local Catholic Church. Taken with the Acre governor's own position and international pressure, the fazendeiros have met their match for the first time. But they are in truculent mood and last month sent a heavy-handed message to the federal government. The latter's chief local environmental inspector, Jose Rente, was badly beaten up. The incident occurred after he had fined a local wood pulp company for felling Brazil nut trees. Rente also happened to be responsible for enforcing new legislation obliging landowners to conduct environmental impact studies if they wish to fell more than 100 hectares of forest.

Environmental protection measures such as these are in force - no matter the responses. Furthermore, even before Mendes died, the authorities had begun to act on ways of establishing a rational

development of the forests. The first trial project to study the rational exploitation of the Amazonian rainforest, with help from the International Tropical Timber Organisation, has just begun. Some 67,000 hectares has been bought north of Rio Branco and, over the next three years, \$3m is to be spent by Funtac studying how the forest's riches can be both preserved and utilised. At present only 22 species of tree are being exploited in limited ways when they are some 600 which could be used perhaps for medicines, fruits, fibres, nuts and oils," says Jorge Macedo.

Funtac is being fed detailed satellite data which, within the next few months, will provide precise and continuous information on the level of deforestation. This will help reinforce the governor's scheme to permit zoning of agricultural development as well as clamp down on illegal clearance. However, sceptics point out that there are fewer than 1,500 policemen in the state and there are no helicopters available directly for environmental surveillance/control. Effective policing even with more resources is a near impossible task.



The pace of development would undoubtedly have been faster had Acre not been so remote and transport links been better. A series of strong rivers, running down from the Andes which have traditional transport arteries, bisect the state on an east-west axis. Even today the all-weather road linking Rio Branco with Porto Velho in neighbouring Rondonia and the rest of Brazil - has yet to be completed.

The question of roads is a broader issue which goes to the heart of the argument over the Amazonian rainforest's future. "The population is increasing at about 6 per cent a year," says governor Melo. "Immigration can be limited through disincentives but the state has got to grow." He is convinced - as is the Brazilian Government - that the key to planned growth is the cross-state Highway 364, running 600 km north-south from Cruzeiro do Sul to Rio Branco.

The existing road has large unspalshed stretches and is impassable for two months of the year. Once this north-south state link is complete, it would then be extended over into Peru to Pucallpa and provide Brazil with its long-dreamed direct access to the Pacific. The total cost is estimated at \$350m. Brazil has been seeking both World Bank and Inter-American Development Bank finance for the project. However, the US Government, along with conservationists, has objected to the road, on the grounds that it would invite unacceptable deforestation. All international finance is currently being withheld.

Conservationists regard the road as a knife cutting a cake. There is no doubt that roads throughout Amazonia have proved the precursors of deforestation. Flying over Acre, it is obvious that forest clearance on a large scale follows directly in the wake of the roads. The roads in turn create feeder roads. The very lack of roads has preserved Acre.

"It may sound paradoxical," says Melo, "But the asphaltting of this road will help, not hinder, a sensible settlement of the state, and one of the few things in Acre on which all are agreed, from the bishop to the fazendeiros is that everyone wants the road which will give access to the Pacific."

Can the road, historically one of the most fundamental instruments of progress, be denied on the grounds that it will play a part in damaging the world's environment?

The Long View

Tax incentives that pay dividends

GIVE 'EM the money. It is, after all, the shareholders' own wealth, although some companies prefer not to acknowledge the fact.

Those bumper dividend warrants keep rolling in. This week, for example, the Argyl Group lifted its total dividend by 17 per cent and Reed International raised its payout by 20 per cent. These are far from being exceptional increases because dividend income on the FT-Actuaries All-Share index is showing a gain of 18.8 per cent, year-on-year. One explanation is that profits have been buoyant, too, with a rise of some 16 per cent in 1988. But there is more to it than that. In the past, companies have been inclined to hold something back during periods of buoyant profits to provide a cushion for possibly tougher times ahead. Either companies are now unusually confident or other factors are at work.

Exactly what determines the dividend policy of companies is never very clear. It is rarely spelt out in annual reports. Generally, I suspect, companies look at what their closest competitors are doing and try to match or beat them, according to the circumstances. Occasionally, boards of directors become aware that their dividend policy is wholly inappropriate, as with GEC where increasingly rebellious shareholders have been offered sharply higher pickings from the group's cash mountain,

with the payment rising by around 80 per cent in three years.

A broader corporate herd responds more slowly, however. Fundamentally, it is the changes in the tax climate which have been the major factor in stimulating corporate largesse. Remember that British investors traditionally have endured a climate in which capital gains were always more attractive than income. At one time, as recently as a decade ago, dividends in the hands of higher-rate taxpayers could be taxed at as much as 38 per cent. The corresponding charge on capital gains was 30 per cent, possibly subject to deductions. That provided a tremendous incentive for companies to seek to provide capital gains through the retention of profits.

Not only has that top income tax rate now come all the way down to 40 per cent but, last year, Chancellor Nigel Lawson equalised the income tax and capital gains tax charges for individuals. Private investors can now be more or less indifferent as to whether they derive investment returns from income or capital growth. Not surprisingly, high-yielding shares have outperformed the stock market as a whole in the past year or two, giving extra encouragement to companies to be more generous with their distributions.

The position of pension funds is even more interesting. They now own more than a quarter of UK equities, as



Dividends have rocketed in the past few years and there are arguments why companies should be even more generous in future

against rather less than that directly in the hands of private investors. Since pension funds can claim back the tax on dividends, logically they should press for a full payout. Imagine a company owned entirely by pension funds. If it retains profits to finance growth, it will bear corporation

tax at 35 per cent. On dividends, though, the funds can reclaim tax. Effectively, the company and the shareholders taken together will suffer tax of only 13.3 per cent on profits, and the most tax-efficient way of financing growth is by reinvestment in new shares, not through retentions.

To the extent that private investors hold increasing amounts of their equities within tax shelters such as personal pension plans and personal equity plans, this argument will be reinforced. But, so far, companies appear to have taken it on board only in a limited way: dividend cover has come down only very slightly and still averages some 2½ times. All the same, dividends have been climbing at around 10 per cent in real terms. This is a large rate of change, but dividends are subject to wide swings over a period of years - as, indeed, you would expect for one of the riskiest categories of income.

Actuary R. Watson has developed an index of real share dividends which shows that only very recently have payouts exceeded the mid-1960s' peak in real terms. The index collapsed over 12 years or so from 250 to around 150 in 1977. Those were the years of price and dividend restrictions, and of high inflation. After a wobble when the Conservatives came to power in 1979 - dividends first shot up on the ending of controls, then slipped back in real terms because of

the squeeze on industry early in the 1980s - a major up-trend developed. Watson's index is now in all-time high ground and pushing towards 300.

With inflation rising and profits likely to be squeezed over the next year, it would be surprising if dividend growth were to maintain its momentum. But on domestic arguments there are solid grounds for companies to be even more generous. International arguments are a bit different, however. Many countries still adopt the old-fashioned industrial approach that dividends are wasteful and retentions are good, and back this up with a tax system which discriminates against distributions. In any case, foreign shareholders cannot usually reclaim tax. Therefore, buyers of equities across national borders normally are forced to look for capital gains rather than income.

Different local conditions mean that yields vary widely between different national stock markets, even when the ratios are consistent broadly. The UK is at the high end, with about 4½ per cent. Other markets range down to the 2 per cent or so of Switzerland. On its own is Japan, with 0.5 per cent.

But if you discourage dividends too fiercely, companies will get fat and lazy. There is no better discipline for a board of directors than the need to write a hefty dividend cheque.

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				Overseas	XXIII	Property	XXIV	New York	XXV
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								Travel	XXVIII

GUINNESS FLIGHT

US DOLLAR BOND FUND: the right place for your US Dollars



The US Dollar Bond Market has started to perform strongly as investor confidence has increased. In our opinion there are now clear signs that US long term interest rates have reached a cyclical peak and are set to fall further. Monetary growth remains restrictive and evidence is mounting of a marked slowdown in US economic activity and a consequent easing of inflationary pressures. Falling long term interest rates will lead to a rise in the capital value of bonds.

The Guinness Flight US Dollar Bond Fund provides investors with a convenient means of investing in a professionally managed portfolio of high quality US Dollar denominated bonds. Total return over the past year was 8.8%. The fund's average income over the last three months was 8%†. Over 12 months, the Dollar has risen 14.5%* against Sterling.

The fund is part of the Guinness Flight Global Strategy Fund range of money, bond and equity funds. Guinness Flight is a leading fund management company with one and a half billion US Dollars under advice and management.

Investors are reminded that past performance is not a guide to future returns and that the value of investments, and the income from them, may fall as well as rise. *Offer to bid basis in Dollars, gross income reinvested, exclusive of initial charge: 1 year 1.6.88 - 31.5.89. Performance since launch 25.1.85-31.5.89: 44.2%. Source: Managers' published daily prices. †FT daily spot rates of exchange 1.6.88-31.5.88. ‡The fund's accrued annualised average income, 1.3.89-31.5.89, was 8%.

This advertisement has been issued with the approval of Guinness Flight Global Asset Management Limited, a member of IMRO and LAUTRO and the investment adviser to Guinness Flight Global Strategy Fund Limited - a Guinness AI Authorised Fund and UK Recognised Collective Investment Scheme.

CURRENT INCOME 8.0%†

GUINNESS FLIGHT FUND MANAGERS (GUERNSEY) LIMITED

PO Box 250, La Poudre, St Peter Port, Guernsey, Channel Islands. Telephone 1981 110404 or Telex 411224 GFFINNO G. Please send me a prospectus and scheme particulars for Guinness Flight Global Strategy Fund Limited.

Name _____ Address _____

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MARKETS

LONDON

Bad news from foreign fields

Worse than expected US statistics halt rally and depress sterling

LIKE THE rest of the world, London began the week trying to assess the enormity of events in Peking. By Friday, the market was reacting to a more conventional stimulus: economic indicators from across the Atlantic.

The worse than expected US wholesale price figures for May halted London's four-day rally in its tracks. By the end of the day, FT-SE 100 had fallen 13 points, but nevertheless finished the week 39.5 points ahead at 2142.1.

most of the ground they lost late last week. The possibility that the Government might try a modicum of overfunding was discounted.

If the Chinese factor was soon forgotten by the wider market, that was little comfort for Cable & Wireless, heavily exposed both to Hong Kong and to China itself, C&W fell

London has never been quite as sweet as Wall Street on the future of cellular communications, but there was no way it could ignore the sector this week. Apart from Racal, the ambitious \$6.5bn bid by McCaw for US rival LIN broadcasting gave a new sheen to British Telecom's 22 per cent holding in McCaw. BT shares added

lified its directly held stake in Britain's third largest food retailer to more than 15 per cent. The bid and Isosceles' plan to sell 62 Gateway superstores to Asda were cleared to proceed without a monopolies reference.

The effort by Magnet's management to take the kitchen furniture manufacturer private with a record \$899m buy-out gained second wind as it approached the finishing line. Sun Life, leader of an institutional revolt against the original terms, said that it would now accept the offer on behalf of its 12.45 per cent stake in Magnet's convertible shares.

This made it more likely that the management would reach the 90 per cent threshold in all classes of Magnet shares - or at least get close enough to convince senior lenders that success was inevitable, allowing them to waive stringent conditions over the financing.

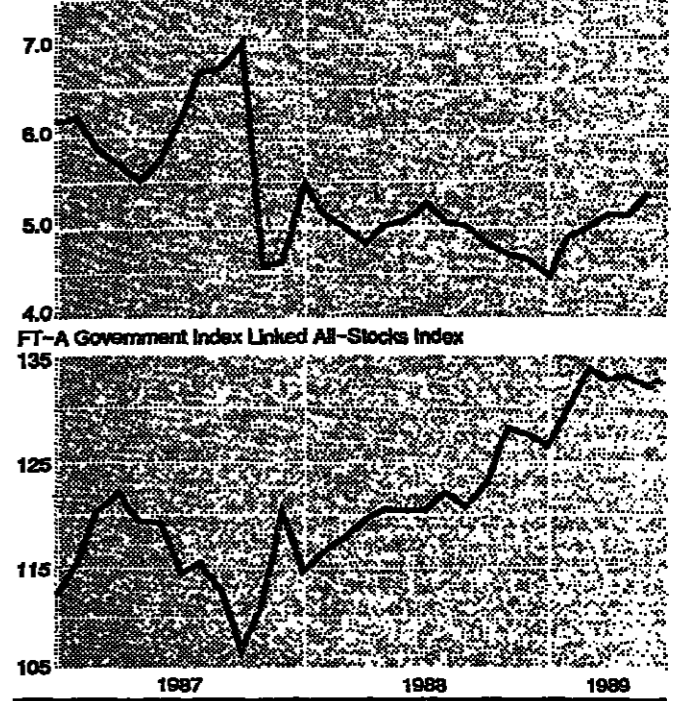
Groupes Boulet Dru Dupuy Petit, the French advertising agency, dropped its £118.5m hostile pursuit of Boose Massani Politt, clearing the way for core businesses of music, lighting and rental. It sold its gas meters division to Schlumberger for \$62m and said the defence electronics and Kenwood food-mixer operations were also up for sale. Pre-tax profits by nearly 25 per cent to £285m, excluding gains on property disposals.

Thorn EMI focused its corporate strategy ever tighter on core businesses of music, lighting and rental. It sold its gas meters division to Schlumberger for \$62m and said the defence electronics and Kenwood food-mixer operations were also up for sale. Pre-tax profits by nearly 25 per cent to £285m, excluding gains on property disposals.

For the same 12 months, FKI Babcock reported a doubling of pre-tax profits to nearly £108m and a 47 per cent rise in earnings per share. However, 1988-89 is likely to be the only full year that the electrical engineering and power generation group existed in that form. Later this summer, shareholders will be asked to split apart, through a disposal and partial merger, the company put together only in 1987.

Racal International unveiled pre-tax profits ahead by 13 per cent to £271m for its year of transition from diversified

Reverse yield gap
FT-A All-Share Index dividend yield minus FT Government 25 year high coupon Index redemption yield



FT-A Government Index Linked All-Stocks Index



FINANCE & THE FAMILY: THIS WEEK

Abbey National shares: time for a decision

If you are an Abbey National member, mark next Thursday in your diary, for that is the day that the offer price of shares in Abbey National PLC will be announced. If you are a fully-qualified member, you cannot miss out on the free shares. However, as David Barchard reports, you now have to think about whether you want to buy the extra shares which Abbey is offering only to its members. Page V

Think hard before you re-mortgage

As high interest rates begin to bite on hard-pressed borrowers, re-mortgaging has become big business. However, those hoping to cash in on the value of their homes should beware of the many pitfalls that lurk in the new mortgage market, warns John Edwards. Page IV

PEPs perplex but still thrive

Personal equity plans are still a mystery to many, according to a survey by Save & Prosper which shows that only one in eight private investors has a clear idea of what they actually are. However, as John Edwards reports, that has not stopped the flow of new PEPs being launched. Page V

Where choice is crucial

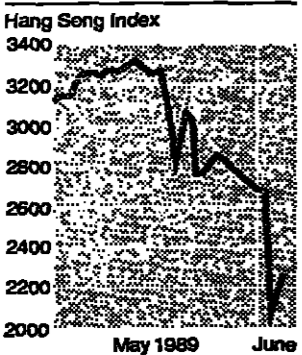
Prospects in the UK are worrying for investors at the moment with the pound looking vulnerable and the dollar surging ahead. In a period of uncertainty, where should the unit trust investor turn? Christine Stopp reports. Page VI

Building up a model business

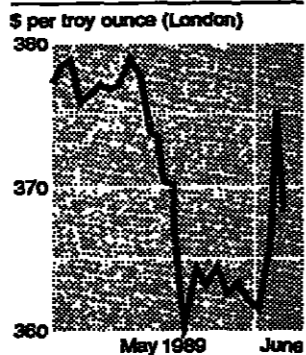
Roy Hodson meets some entrepreneurs who have turned every schoolboy's dream into thriving small businesses, selling model planes, helicopters, trains and vintage Meccano sets. Page VII

BRIEFCASE: Giving the power of attorney: Page VI

Hong Kong



Gold price



Hong Kong market tumbles

The turmoil in China brought sharp falls on the Hong Kong stock market this week with the Hang Seng Index plunging 22 per cent on Monday. The market subsequently rallied but still ended the week substantially lower at 2,268 compared with 2,675 a week ago.

Brokers in Hong Kong said that the market does not believe the unrest in China is over yet. They predict that the current recovery will be short lived and that the index may well fall to between 2,000 and 2,200 in the weeks ahead. This bodes ill for funds which have large amounts invested in Hong Kong. The latest figures available from Micropal showed that Hong Kong funds were already among the worst performing unit trusts in May and this week there have been further heavy falls in values. Sara Webb

Sharp jump in gold price

Gold jumped in price this week, reflecting nervousness about the turmoil in China, but the rise appears to have been only a temporary blip. A surge of speculative buying, primarily in New York, was triggered off by suggestions that the crash in the Hong Kong market might bring a big switch of funds into gold. The London bullion price rose to more than \$375 an ounce at one stage, but subsequently eased back as sustained demand failed to materialise. Several analysts are predicting that the downward trend towards \$300 will continue. John Edwards

Northern housing sector surges

House prices in the UK rose by 1.7 per cent during May, compared with 1.2 per cent in the previous month, according to figures from the Halifax Building Society out this week. While prices have fallen slightly in the south of England and the Midlands, where the market remains very flat, there has been a sharp increase in house prices in the north of England and Scotland.

Despite the latest monthly increase in prices, however, the annual rate of house price inflation in the UK has fallen to 26.9 per cent, from 28.5 per cent in April. The Halifax reports that demand for mortgages is "still very depressed." The average price paid by first-time buyers is now £47,500, or 24.7 per cent higher than a year ago. S.W

Lloyds raises mortgage rate

Lloyds Bank has raised its mortgage rate from Monday by 0.3 per cent to 13.8 per cent (APR 14.7 per cent). However, this move is not necessarily the first of a spate of mortgage rate increases by lenders. Banks and building societies have been trying to hold their rates steady despite the increase in base rate to 14 per cent on May 24. Building societies have indicated that they may be able to go for as long as three months without a change, unless base rate rises again. A Lloyds spokeswoman said that the adjustment was being made to bring Lloyds' mortgage rate into line with those of its competitors. The bank hopes to keep its mortgage rate at the new level until base rates change. David Barchard

Unit trust groups 'trading at loss'

Many unit trust companies are trading at a loss and need to introduce cost-cutting measures, according to a survey from Touche Ross management consultants. The report says that few of the unit trust firms were making "worthwhile profits" during the second half of 1988. It estimates that the Financial Services Act added about £8m in compliance expenses and has trimmed the groups' income considerably. S.W

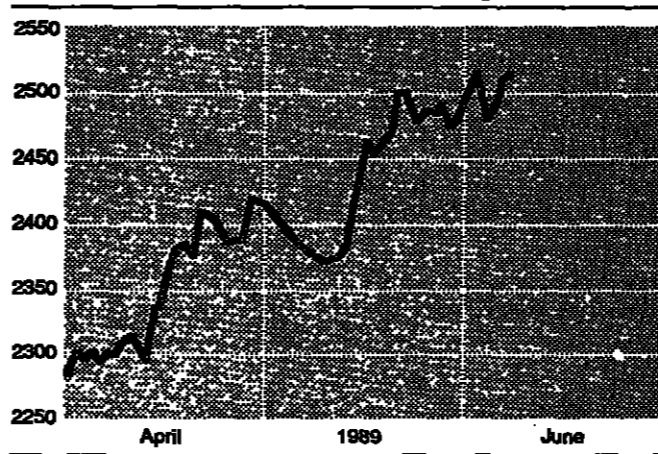
HIGHLIGHTS OF THE WEEK

	Price	Change	1989	1989
	Today	on week	High	Low
FT-SE 100 Index	2142.1	+39.5	2204.7	1782.8
Anstred	84	-10	193	78
Anglia Sec. Homes	188	-51	480	188
BAT Inds.	630	+48	644	447
Body Shop Int.	668	+78	673	480
Britannic	428	+33	433	319
British Gas	184½	+9	187	156½
British Telecom.	277½	+31	298	242½
China & Eastern	68	-10	91	65
Fesco	361	+80	368	233
Inchcape	248	-24	291	203
Lyon & Lyon	413	+80	418	248
Racal Electronics	548	+23	579	275
Saswark Corp.	1090	+110	1090	385
Ward White	312x	+20½	316	198

WALL STREET

It's all down to the dollar

Dow Jones Industrial Averages



"THE LUNATICS have taken over the asylum," declared one US bond analyst in bewilderment yesterday morning, as US bond prices soared to a new two-year high in response to a doubling in the monthly inflation rate.

Behaviour among equity investors, in contrast, has been too calm to be described as lunacy. A fairer way to characterise the stock market situation might be to say that gamblers have taken over the casino. Indeed, the market preceded by a downturn in bond prices. And the macro-economic situation at present, with inflation still a serious risk that recession, make it perfectly rational for truly nimble traders to wait a distress signal from the bond market before jumping off the equity market ship.

Third, and most important, there is the performance of the dollar. From a long-run perspective the recent surge in the dollar is bad news for the US stock market and the world economy. A high exchange rate will ultimately damage the US industry's profits, the nation's trade performance and the balance of the world

Initially, bond investors were understandably frightened by the much worse than expected inflation figures. But when the currency traders started bidding up the dollar, the bond market did a spectacular U-turn and jumped almost a point in less than an hour. The dealers rationalised their behaviour by saying that the PPI figures were an aberration, while currency dealers argued that "high inflation would make it impossible for the Federal Reserve Board to handle the rate further in the foreseeable future."

At one level, the two markets' reactions were incomprehensible. As Bob Brunca, chief economist of Nikko Securities, remarked yesterday: "I am in disbelief at the behaviour of the world's financial markets because easier to explain. The dollar's rise has made all US assets appear attractive to foreign investors and has convinced the world that US interest rates will ultimately converge towards the lower Japanese and German levels."

This has pushed up US bond prices and stock prices have risen in their wake. This process could continue for as long as it takes the speculative bubble in the dollar to burst. Given the benign initial impact of the higher dollar on US trade figures, as well as the generally anti-inflationary pressure for US bond and equity prices, the dollar could still have good way to run. Once the dollar starts falling, however, head for the exits.

Monday	2498.70	+ 97.13
Tuesday	2494.32	+ 18.82
Wednesday	2512.32	+ 18
Thursday	2516.51	+ 4.89

Anatole Kaletsky

Thorn EMI masterplan enters second phase

COLIN SOUTHGATE and his team at Thorn EMI have virtually completed phase one of the task they set themselves when they took over management of the UK conglomerate which lost its way in the mid-1980s.

The fruits of this strategy were shown this week when Thorn announced a 21 per cent increase in earnings per share for the year to the end of March to 64.3p.

Phase one consisted of retreating from high-tech, high-risk areas and focusing on businesses where it had a chance to be a world leader. The television, telecommunications, domestic appliances and micro-chip subsidiaries have been sold off and margins have more than doubled, from 4.6 per cent in 1985/86 to 9.7 per cent in 1988/89.

The company also sold its gas meters division for £62m and put up for sale its defence electronics and Kenwood food

mixer operations. These are probably the last major disposals Southgate will make for the time being. Together, the three businesses should bring in £400m in cash and reduce group gearing to zero.

The software and security divisions do not fit into any of Thorn's three core businesses - rental, lighting and music - but Southgate does not want to sell them, at least partly because of the emotional attachment he feels for Software Sciences, which he founded. Rumbelows, the group's electrical retailer, could be a candidate for disposal but would probably need to be brought back into profit and cleaned up first.

Gearing of zero obviously gives Thorn the option of embarking on a new spending spree to build up its core operations. The most likely move is a major lighting acquisition in North America, pres-

ently a hole in the group's portfolio. However, with base rates at 14 per cent, Southgate is in no hurry to go into debt.

The group is now entering phase two. In a sense, the obvious things have been done. Can Thorn continue to

Thorn is now concentrating on improving the depth of management skills, not only at the top of the group but throughout

improve margins, when they are already at an acceptable level? Moreover, can group management add any real value to the constituent elements of this conglomerate?

How Thorn responds to these challenges will determine whether it deserves to be on a higher prospective price/earnings ratio than the current 10. The signs are that they do. Now that the different busi-

nesses have been brought down to a manageable number, group management is able to concentrate on allocating financial resources in a flexible way where they are needed most, and on giving strategic direction. The most important

function, however, is probably in instilling a new dynamic culture into the previously tired group.

Over the past four and a half years, 140 of the top 150 executives have been replaced. Thorn is now concentrating on improving the depth of management skills, not only at the top of the group but throughout. This programme will be essential to the long-term

health of the group.

Thorn plans to give its managers a more flexible training and experience so that they can cope with a wide variety of challenges, rather than allowing them to specialise too early. In this, it appears to be one of the more enlightened British companies - something which will stand it in good stead for the future - though even it still has a long way to go, particularly in areas such as tapping female talent.

More specifically, there is clearly some way to go before Thorn's North American music operations produce a healthy return, although they have now returned to profit. If the company can continue to attract a fair proportion of US stars, this will also boost the profitability of its music operations across the world.

In lighting, the strategy is to develop a common product line for all its European businesses,

taking advantage of the move towards the single European market in 1992. This should streamline the operations and improve margins.

It is much less obvious what Thorn can do on the rental side. In the UK, it already has a massive market share for renting televisions and video recorders and it will be difficult to control costs much more. In the US, however, it is continuing its vigorous programme of expansion and plans to open about 150 shops this year.

A further point investors should bear in mind is that Thorn is now fairly well protected against an economic downturn, giving it defensive attractions. Half of group profits now come from abroad and half are outside the previously dominant rental business - a reasonably balanced portfolio.

Hugo Dixon

JUNIOR MARKETS

Norton gets on its bike again

WHEN THE Norton Group this week announced plans to leapfrog on to the main market through a reverse takeover, it heralded the departure of one of the most famous names on the Third Market.

For much of this century Norton was a world-renowned motorcycle manufacturer and even now the name is revered by a generation of biker aficionados.

By reviving the Norton motorcycle, the company has won plaudits from thousands of fans. By contrast, its decision to reverse into Minty, a furniture maker, may seem a shade peculiar. If so, however, it is typical of a company that has made few concessions to sentimentality.

Under its new management the company has already embraced a club membership promotion business and a pipeline components manufacturer. "We see our future as a conglomerate, rather than just a motorcycle manufacturer," said Philippe Le Roux, chief executive.

If biker fans see this as a fairly ignominious situation for the celebrated motorcycle business, it is in keeping with a story that is rich in ironies.

From the start of the century, Norton motorcycles have been famed for quality engineering through the years. But the company was in 1970s, forced to its knees - largely thanks to its indifference to the threat posed by the flood of Japanese motorcycles.

The company also suffered through a period of investment, poor productivity and involvement in an ill-fated government attempt to save the Triumph motorcycle export potential. In 1972, the then Conservative government asked Norton to launch a bid for BSA Triumph, with the intention of combining the Triumph Meriden plant near Coventry.

This decision prompted employees at Meriden to stage a strike to stop the planned closure. When Tony Benn became Industry Secretary in 1974, he offered £5m to the Meriden workers to form a cooperative and Norton Villiers went into voluntary liquidation. But the odds were stacked heavily against the cooperative's success and it collapsed in 1983.

A new era began in 1985 when some property interests were injected into Norton Villiers Triumph, which by then was a mere shell that was about to go into liquidation. The business, renamed NVTC, inherited nearly 7000 shareholders, although it had no stock market quote.

Headed by two ex-army property entrepreneurs, the company had ambitions to move into financial services.

A few months later, however, the plans of the original duo fell through and a new board was constituted, with two former directors of Schroder's Philippe Le Roux and Ansell Egerton, as managing director and chairman.

In May 1987, with the help of funds raised by bike fans and long-suffering shareholders, they bought the Norton Villiers motorcycle business, the rights to the Norton name, and its high-performance rotary engine, a small vibration-free design which replaces traditional pistons with a rotor.

Their strategy was to develop a variety of markets for the rotary engine and revive the Norton motorcycle. This they did in October 1987, when they launched the rotary-engined Norton Classic, priced at about £6,000.

At the same time, they wanted to exploit the charisma of the Norton name with "Norton Collectables," a mail order catalogue selling everything from leather jackets to personal organisers. This proved too costly, however, and now product merchandising is being done as part of a sponsorship agreement struck with John Player Special.

The convoluted saga underwent another twist at the end of 1987. The company joined the Third Market and announced a move into selling night-club and disco membership when they bought the London No 1 Club from the entrepreneurial duo Bob Tanner and Peter Whitfield.

But this diversion did not last. By October, it had shed the club memberships business and bought Pro-Fit Piping Components, a US engineering business, instead.

Although an apparently bewildering move, it had a certain logic. The company wants to develop their engine for applications such as unmanned surveillance aircraft and helicopters. To fund this Norton needed to build up counter-balancing businesses which would generate cash flow. Thanks to Pro-Fit, the company announced its first annual profit in March.

The latest deal, announced this week, lives up to the company's flair for complexity. Its reversal into Minty is designed to shore up its balance sheet, take it to the main market and help it on the road to becoming a mini-conglomerate.

The company has agreed to sell property and the Architectural Trading Company, worth about £13m, in an effort to raise cash. It then intends to hit the acquisition trail in a quest for companies with undervalued assets in both the UK and Europe.

Vanessa Houlder

FINANCE & THE FAMILY

Barry Riley on two new approaches to Japan Controlling the risks

THE TEMPTING but tricky Japanese stock market has bamboozled a lot of fund managers in the past few years. A lot of bad mistakes have been made. So, it is not surprising that some fancy new funds are being launched to cash-in on disenchantment with the standard products.

This week, N. M. Rothschild Asset Management unveiled its Protected Japanese Index-Linked fund while the fund management arm of Nikko, one of the big four Japanese securities groups, launched its Japanese sector rotation strategy. These are being aimed at institutional buyers to start with, but Rothschild will soon be launching a Guernsey-based unit trust which UK private investors will be able to buy through professional advisers.

In 1988, many pension fund managers underperformed the Tokyo indices by 10 per cent or more, a pattern that has now persisted for five years. Foreign fund managers cannot keep up with the twists and turns of the Tokyo market, where the action rotates from sector to sector, and it is all too easy to get left behind totally.

Looking at specialist Japanese unit trusts, the average fund has lagged behind the Tokyo New Stock Exchange index by 25 per cent in aggregate over the past three years, even on the favourable offer-to-offer price basis.

These two new approaches are entirely different. Rothschild's is defensive, Nikko's more aggressive and risky. But they share the use of sophisticated investment techniques.

The Rothschild investment technique has already been tried out privately for pension fund clients. It offers an apparently highly attractive one-year deal: if the Tokyo market goes up in sterling terms, you get at least 150 per cent of that increase. If it goes down, you get your original money back. Whatever happens, you cannot underperform the Tokyo index.

How is it done? It relies on the present high sterling interest rates. With the subscription money the managers buy one-year sterling CDs, paying about 288 for an investment which will mature in a year at £100. The remaining £12, less expenses, is invested in Japanese equity index warrants. On present terms, it is possible to buy enough Japanese market exposure to deliver much more than 100 per cent performance.

There is no magic here. Getting your money back is not such a good deal when you consider the amount of interest you will have foregone. But the downside risk is limited if you

are one of the many foreign investors who fear that the Japanese market is over-valued dangerously and could collapse a long way in certain far from improbable circumstances.

Nikko's scheme is more controversial. It claims simulations show that not only will the fund keep up with the Tokyo market index, but that there are grounds for thinking it will outperform it by about 4 per cent a year. Nevertheless, it should be borne in mind that computer simulations are one thing but experience in practice can be different.

The fund will be managed highly actively. The managers will use sophisticated quantitative techniques to trade out of sectors which have shown relative strength, and into other sectors which have been weak but which, Nikko hopes, will be the next to shine. This could mean turning over between 15 and 25 per cent of the portfolio each month.

We can expect more of these fancy funds in the months ahead. No substantial investor will want to ignore Japan entirely, because it represents more than 40 per cent of the global stock market and has performed extremely well over the years. But people are looking for ways of controlling the risks.

There, but for the grace of God, go I. If you are one of the 31,000 members of Lloyd's of London, that thought ought to cross your mind when you hear about one of the market's all-too-frequent underwriting disasters.

This week, 1,600 members of Lloyd's (or "names") received letters demanding £64m in the next five weeks to pay for a flood of liability insurance claims from the US. They were unlucky enough to have belonged in 1983 to a big Lloyd's marine syndicate, number 317/861, run by Richard Outhwaite.

Since the Lloyd's market's ruling council opted on Thursday not to help them out, the Outhwaite names are set for more cash calls and years of financial uncertainty. Their plight has become symbolic of a whole range of developments which are making membership of Lloyd's riskier, and helped to trigger last year's exodus of 1,700 names.

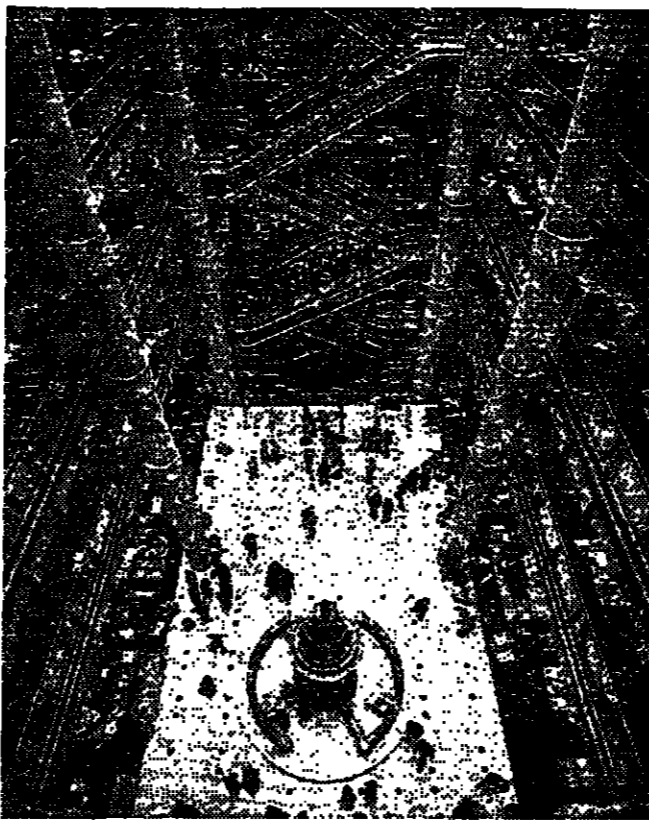
True, big underwriting losses at Lloyd's are never quite as dreadful as they look. The average Outhwaite 1982 name has to find £38,000 by mid-July, but most will be able to reclaim much of this from the Inland Revenue. Since underwriting losses are tax-deductible at the highest marginal rate - which in 1982 could have been as much as 60 per cent - some names will be getting more than half their losses back from the taxman.

And those who have stayed on as members of Lloyd's can expect to be getting some substantial cheques this spring and summer from their syndicates in respect of the 1986 underwriting year, a good one for marine and aviation syndicates in particular. For instance, syndicate 317 itself made a £22m pre-tax profit on its 1986 business.

These things take some of the sting out of the losses. Nonetheless, only blinkered traditionalists in Lime Street would deny that they still are had enough to make many members of Lloyd's think twice about staying on, for fear of similar fiascos.

Some Outhwaite names face severe financial difficulties. The worst hit could be "run-off" policies which he sold to other Lloyd's syndicates and insurance companies. He finished up with their liabilities for US "toxic tort" claims, such as those filed by victims of asbestos-related diseases. Claims for hazardous waste clean-up costs have also flowed in. But the

Nick Bunker assesses the impact of another underwriting disaster Lloyd's loses its old appeal



Inside Lloyd's... where the living is not so easy

There are other reasons why Lloyd's membership looks less attractive than five years ago. For one thing, the Inland Revenue has whittled down its fiscal advantages ever since it dawned on tax inspectors in 1982 that some leading Lloyd's underwriters had been tax evaders on a mammoth scale.

A landmark was the 1985 Finance Act which did away with "bond-washing," by which investors could turn highly-taxable investment income into more lightly-taxed capital gains. This was done by buying gilts and reselling them shortly before they went tax-dividend. Lloyd's syndicates had been avid bond-washers. And the Chancellor of the Exchequer has also brought down sharply the top rate of income tax meaning that, in future, names will be able to write off less of their losses.

As tax advantages shrink, so it looks a lot less worthwhile for individuals to join a "catastrophe market" dealing in mega-risks. It is a sobering thought that as much as 90 per cent of the £1m-plus cost of the Piper Alpha oil platform explosion could fall on insurers in London. Why should a small businessman, who has made his pile and decided to retire, subject himself to this kind of risk for the sake of what may turn out to be pretty mediocre rewards when averaged out over 10 years?

The knee-jerk Lloyd's response is to say that a name benefits by "using his money twice." Names pledge all their personal assets as security for underwriting, but those assets go on earning investment income or capital gains in addition to the names' trading profits. True, but last year's mass resignations suggest that names are voting with their feet. It is by no means clear how many will go this year but one expert Lloyd's marine underwriter, Jimmy Archer, would not be surprised to see membership drop 25 per cent over the next five years.

Lloyd's was probably overdue for a shake-out. In the 1970s and early 1980s, its status as an onshore tax haven lured thousands of new investors with no knowledge of insurance. Was this ever a good idea? Maybe not. Insurance is highly technical, especially the Lloyd's parts of it. If you work in the City, particularly in insurance, or have a lot of spare time to get close to what is happening commercially in the market, then becoming a name can still make good sense. Otherwise, don't put your daughter into Lloyd's, Mrs Worthington.

increases estimates of its losses. It called £10m in 1986 and £20m in 1988, and another £75m could be needed in 1990. The final reckoning cannot be closed until the syndicate can close the 1982 accounts: no-one knows when that will be.

It might be mistaken to assume that any other Lloyd's syndicates will go wrong quite so badly. The Outhwaite case is odd because the losses stem from so-called "run-off" policies which he sold to other Lloyd's syndicates and insurance companies. He finished up with their liabilities for US "toxic tort" claims, such as those filed by victims of asbestos-related diseases. Claims for hazardous waste clean-up costs have also flowed in. But the

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A landmark was the 1985 Finance Act which did away with "bond-washing," by which investors could turn highly-taxable investment income into more lightly-taxed capital gains. This was done by buying gilts and reselling them shortly before they went tax-dividend. Lloyd's syndicates had been avid bond-washers. And the Chancellor of the Exchequer has also brought down sharply the top rate of income tax meaning that, in future, names will be able to write off less of their losses.

As tax advantages shrink, so it looks a lot less worthwhile for individuals to join a "catastrophe market" dealing in mega-risks. It is a sobering thought that as much as 90 per cent of the £1m-plus cost of the Piper Alpha oil platform explosion could fall on insurers in London. Why should a small businessman, who has made his pile and decided to retire, subject himself to this kind of risk for the sake of what may turn out to be pretty mediocre rewards when averaged out over 10 years?

The knee-jerk Lloyd's response is to say that a name benefits by "using his money twice." Names pledge all their personal assets as security for underwriting, but those assets go on earning investment income or capital gains in addition to the names' trading profits. True, but last year's mass resignations suggest that names are voting with their feet. It is by no means clear how many will go this year but one expert Lloyd's marine underwriter, Jimmy Archer, would not be surprised to see membership drop 25 per cent over the next five years.

Lloyd's was probably overdue for a shake-out. In the 1970s and early 1980s, its status as an onshore tax haven lured thousands of new investors with no knowledge of insurance. Was this ever a good idea? Maybe not. Insurance is highly technical, especially the Lloyd's parts of it. If you work in the City, particularly in insurance, or have a lot of spare time to get close to what is happening commercially in the market, then becoming a name can still make good sense. Otherwise, don't put your daughter into Lloyd's, Mrs Worthington.

IN BRIEF Students wooed

LLOYDS Bank is wooing student customers with the offer of a free Eurocheque card and Young Persons Railcard, worth £20 altogether.

Normally, Lloyds charges £5 for its Eurocheque card, which is valid for two years and can be used in Europe and certain other countries (although it can prove an expensive way of paying for goods and services overseas).

In addition, students who apply for an Access card can have a free Young Persons Railcard, worth £15, which allows discounts on rail travel in the UK.

Lloyds offers students overdrafts of up to £200 interest-free and does not impose extra charges for cheques and cash withdrawals. Accounts kept in credit now attract interest at 6.5 per cent net. Other perks include commission-free currency exchange and travellers cheques (in sterling and US dollars).

AT THE opposite extreme to students when it comes to personal wealth, Coutts & Co is starting an advisory service for customers with £100,000 or more to invest. They will have their own manager to advise them on UK and international investments, as well as receiving monthly market reports and half-yearly overviews.

There is a charge of 0.25 per cent of the value of the portfolio (which is levied every six months) for the advisory service. In addition, the brokerage rates for shares range from 1.65 per cent on the first £5,000, 1.5 per cent on the next £7,500, and 0.5 per cent thereafter.

BRITANNIA Building Society has launched a one-year term bond which will pay interest at a rate of 10.5 per cent. The minimum investment is £25,000 and investors will have to leave their money sewn up for a year, since they are not allowed to make withdrawals during the period.

Pensions ceiling is hoisted

GOOD NEWS this week for the self-employed and employees taking out personal pensions instead of joining a company scheme. The Government confirmed it had accepted an amendment put forward in the committee stage of the Finance Bill going through Parliament. This increases still further the maximum amount that people aged 61 or over can put into personal pensions and qualify for tax relief. The maximum contribution rate will now go up to 40 per cent of earnings.

The revised rates, together with the old rates, are shown in the accompanying table.

Substantial increases in the contribution rates on personal pensions were announced by the Chancellor in his Budget speech. He increased the maximum rate from 27.5 to 35 (now 40) per cent but, at the same

PERSONAL PENSION CONTRIBUTION RATES			
	Old		New
	no earnings limit		earnings limit £20,000
Up to 50	17½%	Up to 35	17½%
51-55	20%	36-40	20%
56-60	22½%	41-45	22½%
61-75	27½%	46-50	25%
		51-55	30%
		56-60	35%
		61-75	40%

time, introduced a £80,000 "ceiling" on earnings to which those rates are applied.

This further contribution concession will be welcomed particularly by high earners. It tips the balance even further in favour of personal pensions compared with executive pension arrangements.

It means that even with the new earnings "ceiling," the maximum contribution you

can make under the new system will in many cases exceed the maximum possible under the old. For those holding the old-style retirement annuities (known as section 226 policies) the excess contribution, now available, can be invested in a personal pension - but it should be done on a single premium basis.

Eric Short

INCOME GROWTH

SECURITIES TRUST OF SCOTLAND

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*Proposed

In February 1989, Securities Trust of Scotland completed its first 100 years in business. Commenting on another successful year Chairman Tim Lewis says "Shareholders' capital, in terms of the net asset value of their shares, has more than doubled in five years and more than quadrupled in ten. In both periods the capital performance has been superior to the capital increases in the Financial Times All-Share index. At the end of March we had 11,553 shareholders compared with 8,518 last year and of these 2,510 have joined us through the Martin Currie Savings Plan."

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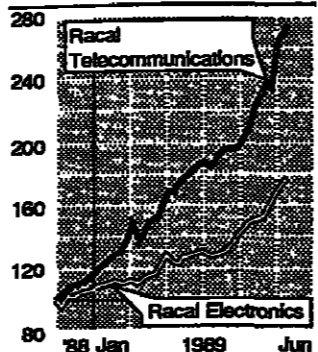
FINANCE & THE FAMILY

The Week Ahead
China crisis hits C&W

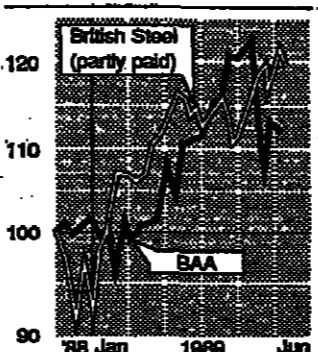
WORLD POLITICS. transatlantic takeover plays and parochial speculation pressed a lot of buttons on the London Stock Exchange this week...

networks in relation to the number of customers they claim. On Monday, it was looking topsy. On Wednesday it looked at the US bid by McCaw for LIN Broadcasting...

Share prices relative to the FT-A All-Share Index



Share prices relative to the FT-A All-Share Index



continued to surge; the market recovered. Steel's yield was high and the offer partly paid, and the shares have reflected all of this.

ret and Nick Collier of Hoare Govett, will reflect sizeable losses in Warburg's securities operations but strong results from both corporate finance and asset management...

This year has also seen a couple of solid performances in the privatisation stocks. BAA and British Steel. However BAA, which is due to open the week with its results on Monday, hit rocky ground a month ago...

Jennie Younger and Ian Wild of Barclays de Zoete Wedd Research think that a rise in pre-tax profits up to £166m to £196m, along with good traffic figures and excellent profits prospects, may help the market change its mind again.

Rob Davies and Jim Lennon of Shearson Lehman Hutton expect the company to produce pre-tax profits of \$616m next Thursday, against the prospectus forecast of not less than \$550m...

There have been bearish noises recently about Pilkington, the glassmaker, though not to the extent of expecting lower profits. The company came in at the lower end of expectations with its interim figures last December, when profits were 14 per cent higher at £139m before tax.

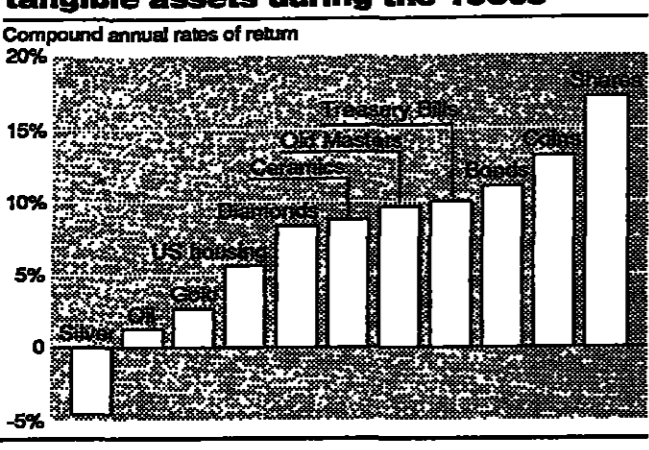
In Pamure Gordon's pre-season review of electronics and telephone networks, Tressan MacCarthy and Marianne Woods expect C&W to show pre-tax profits up by 57m to \$426.5m when the 57m results come out on Wednesday. They also table estimates of £183m for Rascal Electronics, and £74.2m for Rascal Telecom...

British Steel was floated at a "bargain basement" price of 125p a share last December, when the prospects for steel demand were forecast to be dull and the stock market was having a short-term slump. However, steel consumption

continued to surge; the market recovered. Steel's yield was high and the offer partly paid, and the shares have reflected all of this.

There have been bearish noises recently about Pilkington, the glassmaker, though not to the extent of expecting lower profits. The company came in at the lower end of expectations with its interim figures last December, when profits were 14 per cent higher at £139m before tax.

Performance of various financial and tangible assets during the 1980s



Not such a rosy picture

HARDLY a month goes by without some collector or well-heeled financier snapping up a famous work of art and setting another auction record. In fact, Old Master paintings shot up by 50.7 per cent in the year to June 1.

Beware the re-mortgaging traps

"WHY ARE you so happy, Eddie?" "Because I've found a way of unlocking my capital." This snappy, if improbable, piece of dialogue between TV comedians Little and Large has been featured in press advertisements recently, offering a way to "release thousands of £££s in your house today."

long-term debt, so putting their homes at increased risk. Although property prices are looking rather shaky, the prolonged hunting for means that many people have mortgages that represent only a small proportion of the full value of their homes.

Alternatively, if you borrowed more for home improvements - say £10,000 on top of an original loan for £20,000 - you would be still be entitled only to an allowance for £20,000 because home improvement loans are no longer eligible for relief.

Perhaps most crucial, when you take out a new mortgage on your existing property you are entitled only to the relief given originally to buy the house. So, if your original mortgage was £10,000, you can get tax relief for only that sum - even if your new mortgage is £20,000.

A 'cut-price' ECU home loan

FOREIGN CURRENCY mortgages may offer lower interest rates but they involve a heavy currency risk. Ken Seager, managing director of Bristol-based intermediary Whitechurch Securities, believes he has found a way of offsetting the risk and making it worthwhile to take out a European Currency Unit (ECU) home loan.

loan, because the ECU is made up of a basket of 10 currencies that includes sterling. So, it should not be so volatile and should reflect the movements in sterling to some extent.

Home loans are not deemed to be an investment under the Financial Services Act, so lenders or mortgage brokers are not required legally to give "best advice" to borrowers.

Re-mortgaging can also involve legal and valuation fees, and many lenders may try to impose "arrangement" or "administration" charges.

Sara Webb

COMPANY NEWS: TAKE-OVER BIDS AND MERGERS

Table with columns: Company bid for, Value of bid per share, Market price, Price, Value of bid per share, Bidder. Lists various companies and their financial details.

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INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

Table with columns: Cleared Bank, Building Society, National Savings, Money Market Account, UK Government Stocks. Lists interest rates for various financial products.

RESULTS DUE

Table with columns: Company, Announcement date, Last year, This year. Lists companies and their financial results.

PRELIMINARY RESULTS

Table with columns: Company, Year, Pre-tax profit, Earnings, Dividends. Lists companies and their preliminary financial results.

*Dividends are shown net pence per share and are adjusted for any intervening share issues. †Per share gross Danish krona. ‡Last quarter figures. §Second interim dividend.

INTERIM STATEMENTS

Table with columns: Company, Half-year, Pre-tax profit, Interim dividends. Lists companies and their interim financial statements.

RIGHTS ISSUES

Table with columns: Company, Half-year, Pre-tax profit, Interim dividends. Lists companies and their rights issues.

(Figures in parentheses are for the corresponding period.) *Dividends are shown net pence per share, except where otherwise indicated. L = loss. †Figures for the month period. ‡This years figures for 17 month period. §Figures on a historical cost basis.

OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

Table with columns: Company, Offer details. Lists companies and their offers for sale, placings, and introductions.

فكانه الامل

FINANCE & THE FAMILY

Abbey National members have their free shares. David Barchard reports on the next step
Now it's time to decide on buying

IF YOU are an Abbey National member, mark next Thursday in your diary. It is the day that the offer price of shares in Abbey National PLC will be announced. You will probably not need too much reminding. On top of all the publicity that has surrounded the Abbey float already, a new advertising campaign costing £2m gets under way today. More than 4m people have returned the forms Abbey sent out last month. These are necessary to receive the 100 free shares that each borrower and each saver can receive - 200 if you are both a saver and a borrower. If you are a fully-qualified member, you cannot miss out on the free shares. However, you now have to think about whether you want to buy the extra shares which Abbey is offering only to its members. These ought to be a very good buy, Abbey is a strong organisation and the shares are being made available to members at a heavy discount, so they ought to do better than the TSB shares have done in the three years since its flotation. Furthermore, Abbey is setting up a special dealing service that will enable members to sell their shares for bargain

basement commission prices (£12 plus VAT for all deals up to £1,500), although the service will operate only until mid-October. Naturally, the big question is what the offer price will be. Abbey says it will be between 120 and 160p per share but, with the housing market so depressed, it looks as if the price will be nearer the bottom end of this range rather than the top, as was being predicted before Christmas. The vice is the market as a whole since then might not help Abbey very much although it should make the shares very good value for those who choose to buy them. As analysts' predictions are right, Abbey will perform well on the stock market in the medium and long term. But John Wriglesworth, building societies' analyst at Phillips & Drew, says Abbey now faces a dilemma. It wants to raise around £1bn in new capital, but it can do this only if it reduces the offer price. He believes Abbey will be tempted to compromise and raise less cash than it intended originally - say, £500m. The alternative strategy of holding the share price right down might anger members

ABBEY NATIONAL TIMETABLE
June 15: Share price announcement.
June 16: Mini-prospectuses sent to members, with application form to buy extra shares.
June 28: Last date for application forms for extra shares to be handed into Abbey National branches by 5pm.
June 29: Last date for postal applications to be received by 10am at latest.
July 1-2: Details of share allocations announced.
July 15: First stock market dealings start at 9am.

class reply-paid envelope and a personalised application form. If you are both an Abbey saver and a borrower, you will once again receive two forms and be entitled to make two applications. The advantage of this is that if you have ordered a large number of shares and the issue is over-subscribed, you will get more than you would from a single application. But it has to be said that the chances of the issue being heavily over-subscribed are not all that great. There are two ways to lodge your application with Abbey - by mail or depositing it with a branch. If the former, you must get to the society by 10am on Thursday, June 29. Applications handed into branches must be lodged by 5pm on June 28. Anyone tempted to make multiple or unauthorised applications, apart from their personalised entitlement, should be warned that Abbey intends to come down hard on any fraud it finds and is likely to prosecute. Its fraud-detecting systems are better than those of the privatisation floats, so the chances of detection are higher. Early in July, on the first or second of the month, Abbey

will announce details of share allocations and definitive share certificates, using the Stock Exchange's new Talisman system, should be on their way to members soon afterwards. The grand climax will arrive on the morning of Wednesday, July 12, when dealing in the shares of Abbey National PLC will begin. About 3.5m people will have been added to the list of share-owners in the UK. They should find the process of becoming a shareholder less fearsome than it was in the past because of the improved documentation which has been evolved. Applicants will be allowed to transfer their shares into joint names and to give them away to relatives if they wish. Payment for the shares can be made by direct debit from Abbey National accounts. People holding shares in newly-floated building societies, such as the Abbey National, will be allowed to transfer them to tax-aided personal equity plans, Chancellor Nigel Lawson announced this week. The move is in line with Budget proposals to allow the transfer of new issues of shares, including privatisations, to PEPs.

Second time lucky

LIAN PARSONS (above), as appointment as unit ombudsman was announced this week, admits as a steep learning curve ahead of him. His predecessor, Stephen Price, the first to take the job, resigned only six months because of the work far too heavy in legal terms. When two months ago, he led the Government's social services legislation ambles. Parsons, a Charity Commissioner, takes up the post at the beginning of next month and hopes to instil confidence in the scheme from its poor start. He acknowledges the importance of finding a balance between the interests of the investing public and the unit trust industry. In the cases with his predecessor had to be point-of-sale complaints, with unitholders stating they had been sold wrong investment or did not understand what they were buying. Some people wanted a "second investment, in many cases providing a regular income. The crash of October showed investors that trusts are not "safe" since they can fall as well as rise. Many of the complaints on which Parsons will find himself to decide in many cases. Her the salesman did the expected of him and if the initial understanding was as buying. However, his experience as a Charity Commissioner dealing with letting viewpoints should help him in good stead. present, only 58 unit trust management groups are members of the ombudsman scheme. Complaints about unit companies which are handled by the IMRO/IRA returns and the complaints system, Parsons will need to establish close links with self-regulatory organisations. However, there is still a gap in the terms of service of the unit trust ombudsman in that he cannot deal with complaints against investment advisers.

Survey shows few investors understand personal equity plans, says John Edwards
They're a mystery - but PEPs thrive

PERSONAL equity plans (PEPs) are still a mystery so far as most investors are concerned, according to a survey by Save & Prosper. It showed that only one in eight private investors had a clear idea of what PEPs are and most did not appreciate the significant improvements to the scheme made in the Budget. But that hasn't stopped the flow of new PEPs being launched. MIM Britannia, which has led the way with a series of plans emphasising the tax-free concessions (TaxAxe, TaxBreak etc), has now combined with other members of the same group, NEL Assurance and City & Provincial Home Loans, to come up with a PEP mortgage package named, rather obscurely, Threshold. This comprises five different mortgages: conventional interest only; low start; zero 12-month payment and capital drawdown; Permanent Health insurance and building or contents insurance are offered as optional extras. Repayment of all the mortgages is via the group's TaxAxe services which invests in the MIM Britannia Income and Growth unit trust.

In other words, you repay your mortgage by investing in a unit trust but with the PEP tax-free advantages which should make the fund grow faster and perform more effectively. Obviously, though, there is a larger element of risk than with a conventional endowment policy, which has a guaranteed minimum sum and a wider spread of investment including property and fixed-income securities. Nevertheless, PEP mortgages are a great deal more flexible since you can withdraw surplus money at any time and are not locked-in for a lengthy period. The progress of your investment in relation to how much you need to repay is reviewed every five years in case it needs topping-out or to see how much you can afford to take out. Although dependent on the stock market, unit trust mortgages should be helped by a lower charges. With the initial charge of £50 and an annual charge equal to 1 per cent of the value of the fund, charges and negotiate a fee plus normal dealing costs. This is an expensive way to buy that is added onto the capital sum borrowed. The managed fund is not

much better. With the single contribution plan, you pay £50 initially, 0.75 per cent a year and dealing costs of 1 per cent of the value of the stock. The charges are the same for the monthly contribution except that you pay £5 a month instead of the £50 initial charge. Lincoln stockbroker Hill Osborne offers a rather better deal. For its PEPs - either managed, advisory or choose your own shares - there is no initial charge. Dealing costs are 1.65 per cent (but with a low minimum of £20) and the annual management fee is 1.25 per cent. Among the findings in Save & Prosper's survey was the view of brokers that investors should be given the chance to put the fullest possible amount into PEPs. That is £3,000 in the

old-style PEPs (available this year only) and £4,800 in the 1989-90 new-style plans. As a result, S&P has decided to defer launching its new-style PEP until October. It points out that with the old-style plans, you receive gross interest on cash deposits. These are now paying 11.8 per cent gross, which compares very favourably with the 9.75 per cent net paid to standard-rate taxpayers on its high-interest money market account and provides an even better deal for high-rate taxpayers. An initial charge of 1.5 per cent is made, but this also covers the transfer of the cash into shares or unit trusts when the fund is converted into a new-style PEP in October.

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Anthony Casswell on minimising marital bills
A guide to saving

WHEN independent taxation for married couples starts next April, some advantages may arise automatically. But you will probably have to re-organise your finances if you want to minimise your marital tax bills. The case history of Colonel and Mrs Arthur shows in the table below, illustrates how you can work out your combined net incomes after tax: first, under the existing tax system and ownership of assets; second, if independent taxation was available already; and, finally, under independent taxation and after the transfer of assets to reduce tax. Tax allowances and thresholds for 1989/90 have been used. The Arthurs are both 72 years old. After a career in the armed services the colonel was employed by a company, but then he and his wife started their own business. With a cautious outlook (and slightly burnt fingers), they decide to keep only a quarter of their combined net income and about two-thirds of their cash in building society and bank accounts where it is benefiting from the present high



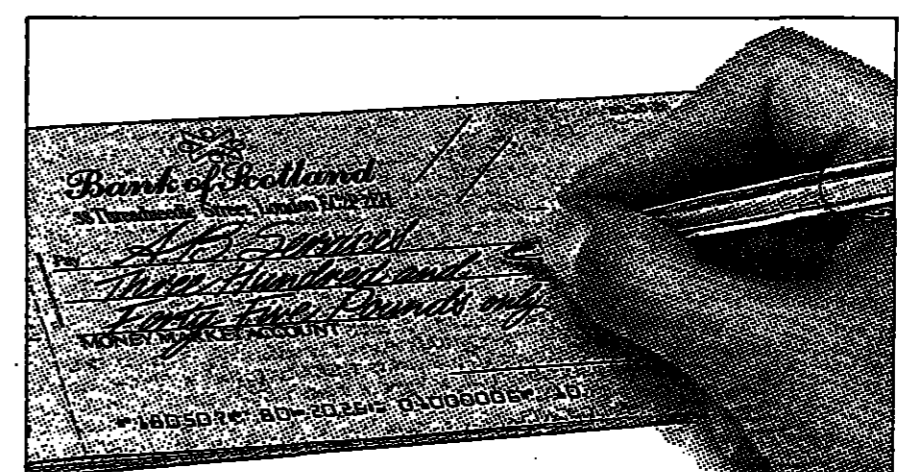
INDEPENDENT TAXATION FOR MARRIED COUPLES

Interest rates. Columns A and B show that, this year, the colonel will be taxed on combined income, except for the £340 of pension attributable to Mrs Arthur's earnings. The combined net income after tax will be £16,029. Columns C and D show the automatic effect of independent taxation. Mrs Arthur will be taxed on her own income, including her NI pension, and she will enjoy the single age allowance. Colonel Arthur's income of £14,100 exceeds the £13,420 marginal limit above which age allowances cease to provide any benefit. Even so, independent taxation will increase their combined net income to £16,794, an improvement of £765. Can they do better? Columns E and F show that by transferring £25,000 in building societies, the colonel's income drops below the age allowance income limit of £11,400, entitling him to single age allowances. As a result, their combined net income will increase by a further £265 - a modest saving, admittedly, but not to be sniffed at by hard-up pensioners. A similar result could be achieved if, instead of retaining £5,000 in building societies in his name, the colonel transferred £20,000 to his wife and put his remaining £10,000 into joint names.

Table with columns: Sources of income, Husband, Wife, Taxation after action. Rows include National Insurance Pension, Other Pensions, Building Societies/Banks, Total Income, Total including wife's income, Single's Earnings Allowance, Married Couple's Allowance, Total Allowances, Total for income tax, Income tax at 25 per cent, Net Income after tax, Combined net income after tax.

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10.01% = 10.49% = 13.99%
Net Base, Net Compounded Annual Rate taking account of monthly interest remaining invested, Gross Compounded Annual Rate to Basic Rate taxpayers.

12.80% = 13.58%
Applied Rate, Compounded Annual Rate taking account of monthly interest remaining invested.

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MORE groups, TSB and Star, are jumping on environmental bandwagon. Both are offering unit trusts which invest in companies aimed with protecting and serving the environment. The TSB Environmental Star fund will invest only in UK companies, including later into foreign firms. All of the statements will be vetted by David Bellamy, the activist and TV star, who will be an independent trustee making sure that the companies selected 'environmentally friendly.' There is a 6 per cent fund charge and an annual management charge of 5 per cent. The minimum investment is £500 and the fund will be launched at the end of June. The Star this week checked an Environmental Star fund which will sit at least 80 per cent of its assets in the UK and the rest in continental Europe. The aim is to pick companies that are likely to benefit from greater awareness of environmental issues. The group has highlighted companies such as Body Shop cosmetics chain, First Mology (which manufactures fire prevention waxes), and Varta (the West German producer of batteries) as suitable candidates for investment. The minimum initial investment is £1,000. There front-end charge of 6 per cent and an annual management charge of 1.25 per cent.

Sara Webb

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Q&A
BRIEF CASE

Tax bill for unit trusts

Last Christmas my nephew, wanting freedom to make some changes in his life, asked me if I would be prepared to make him a substantial loan to facilitate a bridging operation. I had available a unit trust holding worth £100,000 and since it was quite possible the cash would be needed, I did not sell the units (which would have incurred CGT) but merely transferred them into his name so that he could use them as security.

Now, the need for the loan is over. The units were not cashed (apart from a handful to cover a fee) and my nephew wants to return them to me. However, in the meantime, the recent Budget changed the CGT rules and the units apparently cannot be re-registered in my name without paying the CGT which would arise on a disposal.

Since I acquired the units before 1982, and they have

Mortgage interest

My son-in-law runs a one-man business as a self-employed person and uses a room in his (only) house partly as an office, where my daughter and he do the administrative work. We are anxious to find out if a claim for a small proportion of mortgage interest should be allowed, along with the other expenses involved in using the room partly as an office. Most interest here seems exactly equivalent to "rent" which is apparently allowable according to paragraph 37 of tax booklet 1228 (1985).

Two possibilities present themselves, and are perhaps best illustrated by an example. Suppose the mortgage is £40,000 and the gross interest £4,000. The tax relief given for the interest on the first £30,000 would be on £3,600, i.e. £900 at 25 per cent.

The first possibility would be to claim a proportion (one-sixth in this case) of the interest less the tax relief, i.e. £4,000 less £900 = (1/6th = 2650). The second would be the proportion of the interest on that part of the mortgage on

which no tax relief is allowable, i.e. £4,000 - £10,000/240,000 = £1,500 (1/16th = 2880), clearly a less favourable proposition but, nevertheless, better than nothing.

In a telephone call to a local tax office, a young lady in the Schedule D department said such a claim would be allowed, but this hardly constitutes an authoritative opinion.

A free booklet on the tax treatment of interest paid (IR11) is obtainable from tax inspectors' offices; bear in mind, however, that some aspects of the law have changed since it was printed. Presumably, your son-in-law has read the free booklet IR28 - Starting in Business.

You say that your daughter helps with the administrative work and yet you say that your son-in-law runs a one-man business: do you mean that your son-in-law employs your daughter, rather than having her as his partner in the business? This point is not directly relevant to your question but your daughter's status is worth reconsidering. Your son-in-law might well find it worthwhile to engage the services of an accountant, for tax advice as well as for the preparation of accounts.

The case I deduced for the mortgage interest might be as follows: 1/16th of the gross interest £280; less amount on which tax relief has been given by MIRAS £900; case I deduction £620. It is not possible to get tax relief twice for mortgage interest, which is what your "first possibility" amounts to.

Christine Stopp wonders where the unit trust investor should turn if sterling tumbles

A sector where choice is crucial

PROSPECTS in the UK are worrying for investors at the moment with the pound looking vulnerable in the longer term. In a period of uncertainty, when sterling seems likely to fall, where should the unit trust investor turn?

The classic solution is to go for a spread in other areas, and invest in international funds. In theory, the international fund manager should get the best of all worlds by being overweight at the right time in the best performing markets.

In practice, such funds have been disappointing over the long term, outperforming only the dismal North American sector among single overseas markets. Over 15 years, the international fund sector average has lagged behind both the UK and the US market.

There is a similar underperformance if one compares sector averages over shorter periods of time, but the picture is different among the top funds. Over one year to June 1, the top international fund, International Growth, with a 54.7 per cent gain. The top UK General fund was CHI-

INTERNATIONAL vs. SINGLE MARKET FUNDS
 (Results of £1000 invested, offer-to-bid, over periods to 1.4.89. Median fund for each sector)

Sector	5 years	10 years	15 years
International	1648	4038	6406
UK General	2265	5254	17971
North America	1372	3728	3998
Europe	2253	5251	6261
Japan	2543	5852	14882

Source: UTA

made. "If there is such a beast as an international market, it is dominated by the US and Japan, so most international funds are obliged to have a high weighting in these two. In the past, strong Japanese performance has been cancelled out by US weakness, leading the fund to perform badly."

During the international funds showed the second best sector average, at 4.8 per cent growth for the month, no doubt due to their high US weighting, which benefited from the strength of the dollar. US funds for the month averaged 11 per cent growth.

Tonkin calculates that someone who had put half his money into the US and half into Japan over five years would have done slightly better than the average international fund. The international sector, which is supposed to have defensive qualities, did not even outperform during the crash, he says, adding that it is questionable "whether there is a lot of management on international funds."

Tony Law thinks that UK investors stand to gain in the long term from sterling weakness against other world currencies, but Peter Tonkin feels most investors should keep high weightings in the UK, trying to second guess currency movements is dangerous, and not to be undertaken through a long-term investment such as a unit trust.

Tony Fraher feels that currency games should not even be played by the fund manager and he is against hedging on a fund to minimise currency risk. Hedging has always had a bad name among UK fund managers, and Fraher says he "simply can find no evidence that it works". In any case, like most people at present, he is expecting sterling weakness in the immediate future. He would advise the UK customer to keep at least 50 per cent of his assets in Britain while the investor with an international perspective should be considering only 25 per cent or so.

In spite of the fact that likely currency movements appear to offer an opportunity, the message seems to be that the smaller investor should not increase his overseas exposure in the hope of a fast gain, and certainly not through an international fund, which may perform worse than most individual markets.

There are alternatives. Off-shore managed currency funds or single currency deposit funds. The investor to gain from pure currency exposure, through very dramatic gains are unlikely. An alternative to the unit trust investment fund is an investment trust. Many large general trusts have considerable overseas exposure and the investment use of currency instruments has helped to produce a sector average growth which compares very favourably with unit trusts.

Nick Fielding on plans to shake-up charities

Custodian's sentence

THE WAY in which charities invest their funds in future is likely to undergo a big shake-up following proposals put forward in the recent white paper, "Charities: A Framework for the Future."

Currently, the Official Custodian is responsible for holding investments in trust for charities. This little-known department of the Charity Commission holds about 40,000 charity accounts with investments in shares, dated and undated stock. The range from those with an income of up to £2m a year to others worth only a few pence.

The Official Custodian sends the income from investments to charity trustees without being involved in the buying and selling of investments on the instructions of charity trustees - although it does not make investment decisions. It can even allow transactions to be carried out by agents in its name. No charge is made for any of these services.

However, in future it will be divested of its investment function. Sir Phillip Woodfield's charities report, which was presented to the Government two years ago, recommended that the 85-strong department should be abolished and that charity trustees should be encouraged to take direct responsibility for their investments.

It will take about five years for the investments to be divested - in the case of shares, stock by stock once the legislation has been passed. For the tens of thousands of charity trustees, particularly of the smaller charities, life is going to become much more complicated. Investments will have to be re-registered every time a trustee is changed and tax relief will no longer be automatic. Instead, individual applications will have to be made to the Inland Revenue.



The larger charities, most of which have investment advisers, should be better off in the long run. There are about 6,000 which deal actively on the stock exchange, and just over half have their own brokers. In the short-term, as their investments are returned stock by stock, they will be in the awkward position of having some investments under their own control and others still with the Official Custodian.

The majority of charities have small investments - 86 per cent receive an annual dividend of £1,000 or less and 32 per cent receive less than £10. This is why accountants Touche Ross were unable to find a way for the Official Custodian's office to charge for its services. The only way it would have been possible was if the larger charities paid an unacceptably high subsidy.

The larger charities will be divested first, over a period of two years. Next, the 13,500 charities with holdings of undated fixed interest securities - once a popular form of investment with charities, but now not recommended - will be divested. The intention is to sell all these holdings (some of which have been held for over 100 years and have declined dramatically in value) in one batch and give the money back. The average cash value is about £28.

A further 10,000 charities hold dated fixed interest securities, which together are worth tens of millions of pounds. The Official Custodian estimates that these could be up to 1,000 charities of which no trace can be found. He says: "We already have teams doing searches, but we expect some to slide us." In such cases, the funds will be redirected into existing charities with similar purposes. None of the measures proposed should affect share prices.

In future, the cost of administering investments will rise for charities and the already difficult task of finding voluntary trustees to take on the extra work and responsibility will become more of a problem. As a result, the nominee services offered by many brokers are likely to be in greater demand.

But eventually, in five or six years' time, charity investments should be on a better footing. Numerous moribund charities will have disappeared and their assets transferred to others that can make use of them. Those that once held low performing undated securities will be able to invest in more lucrative areas, and charity trustees - at least those that can afford the time and energy - will be better placed to exercise direct control.

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I will not do

MINDING YOUR OWN BUSINESS

A model way to make a living

Small is beautiful but expensive in the modern model industry where a railway lay-out or a flying model helicopter can cost thousands of pounds. It is a booming business sector. But enthusiasts who open model shops tend to fail, too often because they lack management skills, says Roy Hodson

A VETERAN aero-modeller of 55 was talking in tones of reverence about a 13-year-old schoolboy in his club. "What a wonderful helicopter pilot he is," the man said.

Models are a world of their own although, judging by prices, it is not much of a place for children unless their par-

ents are generous providers. But it is a world where skill and dexterity is the universal passport regardless of age, and where dukes are prepared to sit at the feet of craftsmen in order to learn about flying planes, racing cars, or building trains and boats.

Enthusiasts who see an opportunity to make a living from their hobby have been opening new model shops around Britain at a spanking rate during the past few years. There are more than 600 shops now catering solely for model-makers (not including the

thousands more shops that sell model kits along with other wares). The total business in models, kits, materials, paint and accessories is difficult to assess but it exceeds £40m a year comfortably.

There would be more shops if it were not for the sad fact that many of them do not last long. There is a heavy casualty rate among many aspiring model shop entrepreneurs who, in their early years of trading, discover they are better modellers than business people.

The business in Britain suffers from being a haven for the cottage industry operator. The great proportion of the action is in the hands of small business people trying to ensure the survival of their retail shops, or trying to make a living at the manufacturing end of the trade by making specialised components for modellers in home workshops.

The railway modelling side is served by a complex network of small manufacturers and importers, many of whom now rely heavily upon mail orders for their sales. Indeed, the true specialist railway or ship model shop has become something of a rarity.

Most new shops specialise in the aero-modelling sector. And the big new cash sales there are coming from flying helicopters - at anything up to £2,000 for a machine and its radio-control equipment.

Jim Perkins, whose own preference is for flying fixed-wing model aircraft, started selling modelling equipment from his garage 20 years ago as a sideline. He prospered and his business, J. Perkins Distribution, based in Greenwich, south-east London, is now one of five big distributors in the British modelling trade.

Helicopters have added 10 per cent to his business since reliable flying models came on the market a few years ago and began to be sold in quantity. But he thinks a newcomer to the trade needs "at least £25,000 and preferably £50,000" to open and stock a model shop. Most small business hopefuls try to do it on less.

street at a correspondingly cheaper rental. He knows that if he can offer the right service, he will build up a faithful clientele.

There is hardly sufficient fat in the trade, anyway, for the small shop-keeper to splash out on lavish premises in the most fashionable part of town. The usual retailing margin is about a 35 per cent mark-up on the price paid to the wholesaler. Accessories may provide a more generous mark-up of 50 per cent.

At such mark-ups, the retailer cannot easily discount to win business from model shops in other areas of the country by mail order advertising. But, of course, some try and fail. That is one reason for the brisk turnover in model shops.

Location is the most important factor when considering opening a model shop. The interest in modelling is not uniform across the country. Particularly good areas are those where there are numbers of affluent retired people who can afford to pay for their pastime, and industrial towns where there has been a long tradition of skilled working and manual dexterity.



Nancy, John and Malcolm Burnage in their model shop at Didcot

Photo: Tony Andrews

On the right track

WHEN THE Burnage family (Nancy, John and son Malcolm, 28) decided to open a model shop last year and went to see the manager of Barclays Bank in Didcot, Berkshire, about funding, they found a sympathetic listener. Andy MacMillan, 41, is a life-long model railway enthusiast who will spend a year or more building a model locomotive from bought-in pieces and parts he makes himself. He has a 16ft by 10ft track layout in his double garage.

So it was that the Burnages found their start-up problems eased with a £5,000 Barclays business loan when they took a short lease on a small Didcot shop. After their first year's trading, they are planning to move into another shop with its own front window.

They have taken £20,000 in the year and have ploughed it all back into stock and equipment. Malcolm, who has to work part-time as a mechanic to cover his living expenses, has identified three promising markets in the model business: radio-controlled aircraft, dolls' houses and craft materials.

People who build dolls' houses are quite prepared to pay £4.85 for individual tiny light fittings, and much more for house wiring kits and pieces of furniture. As well as materials, customers assemble extensive collections of miniature tools for their modelling, including drills, lathes, routers and sanders.



Andy MacMillan: bank manager with a passion for model trains

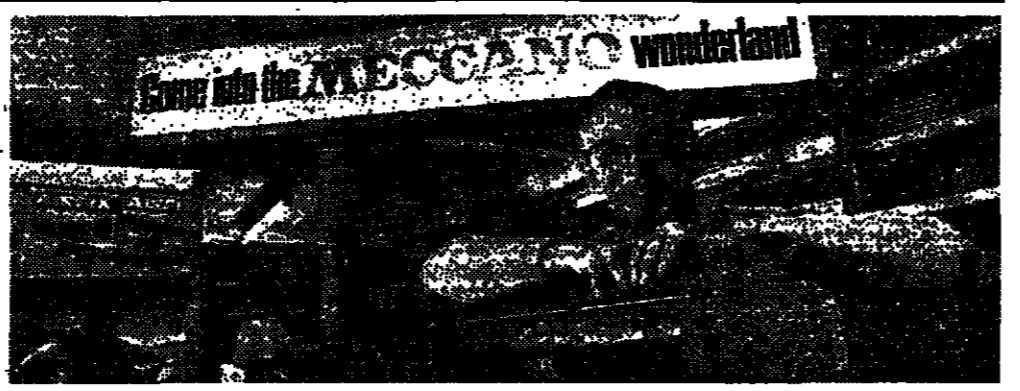
There's money in Meccano

MECCANO, the modelling medium which formed character and helped to make Britain great, is still thriving although sets are made these days in a French factory. And prices have gone up: that top-of-the-range Number Ten set in its varnished cabinet - the unattainable ambition of so many small boys - now costs £395.95.

But from a tiny shop in Henley-on-Thames, Geoff Wright, the proprietor of Everything Meccano, is turning over more than £100,000 a year selling old Meccano parts world-wide.

generation to generation was short of a few pieces. "No one else was bothering to supply spares so I did," he says.

Wright's business moved on to an altogether higher plane in 1979 after Meccano production ended in Britain,



Geoff Wright in his Meccano shop, from which he sells parts world-wide

He bid for the remnants of the business, 10 tonnes of parts "at knock-down prices" and stored them in bins at Henley. His staff of six part-timers is now kept busy dispatching orders around the world for strips, plates, wheels, nuts and bolts. He says the trade in small items has been made possible because he can secure payments by taking customers' credit card numbers by letter, telephone or fax. "The majority of my customers build an

enormous range of Meccano by adding to their collections bit by bit."

through his newsletter. He has hundreds of thousands of the traditional screws in stock. He has also assembled a collection of Meccano memorabilia. A facsimile of a 1930s Meccano Magazine can be bought for £1. An original 1934 magazine, list price twopenny, will cost you £2.

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Business Books advertising also appears on pages 9,10 & 11

BOOKS

STARS NEVER have an easy time painting their own portraits. One look in the mirror at that blaze of charisma and they are rendered nearly sightless: a condition that expresses itself in either undue modesty or undue immodesty. In the first case, they "can't see what all the fuss was about" in their careers, though they are suitably grateful for it. In the second, only they could see from the beginning the plain clear light of their own genius.

Marlene Dietrich and Shirley Temple have now penned their memoirs and - *mirabile dictu!* - both books illustrate our point. Neither does so, however, without a struggle. On the surface Dietrich goes for the modesty option, with a blazingly vain just beneath. Temple is full of her own achievements and glowing notices, but pauses to credit others along the way. (Chiefly her career-pushing mother, who makes Mrs Worthington seem a shrinking violet.)

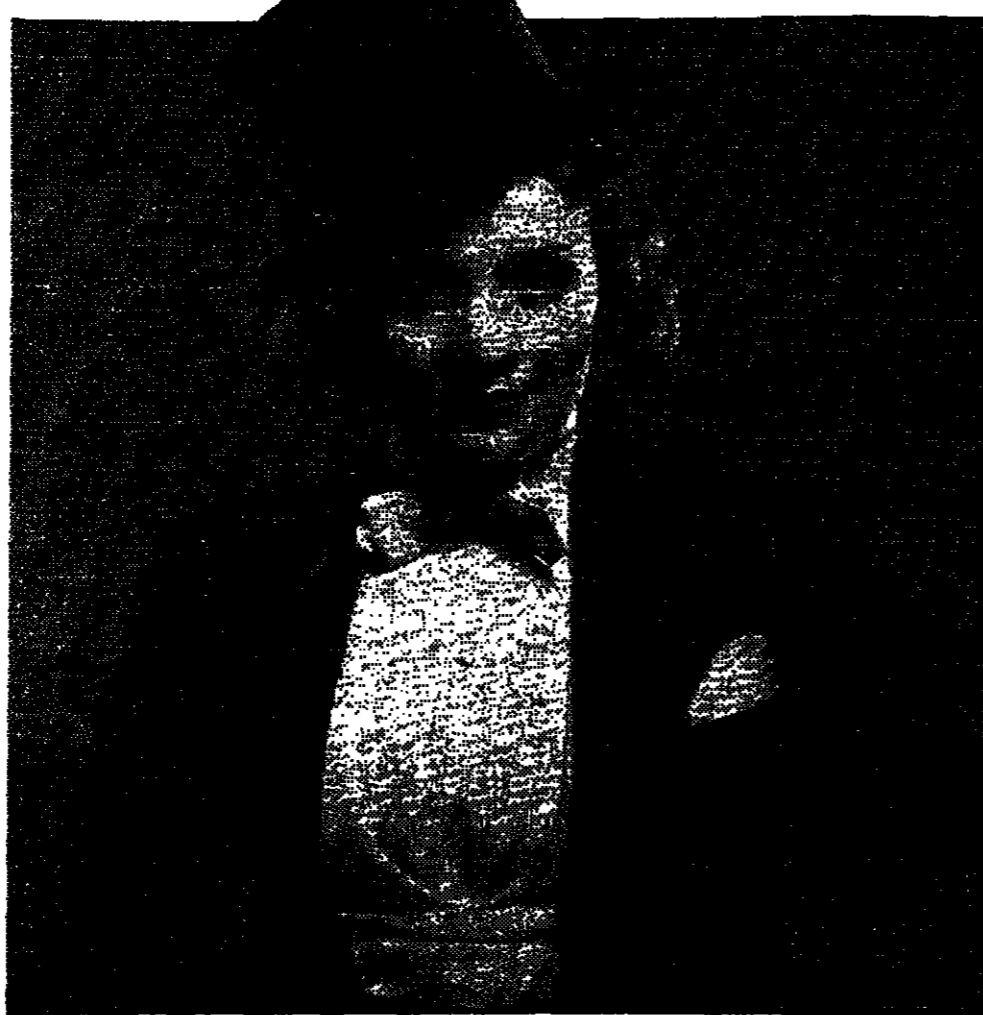
Dietrich's *My Life* is written in the actress's unmistakable voice: smoky, world-weary, one that suffers fools badly if at all. Just as her talent on stage or screen is for disowning overt emotion, her talent here is for disowning the trappings of celebrity: "I was always indifferent to the glitter of fame" . . . "The roles I have played in films have nothing to do with what I am."

We are suspicious of these protestations. But we play along. Dietrich is an authority, after all, on the higher lunacies of Hollywood thinking. Witness her first experience of them: the Paramount envoy who forbade her to disembark in America in her "casual" hat clothes. She had to go down to fish a black dress and mink coat out of her trunk. Only then could FilmDrom's newest import be allowed to face the flashbulbs and enter the world of fame.

And a preposterous world that she regards to our author. Coaxed by the studios, Pygmalionised by Von Sternberg, paid thousands of dollars a week, forced into professional intimacy with the likes of James Stewart ("his sense of humour was peculiarly developed"), Bruce Cabot ("an awfully stupid actor") or Fritz Lang ("the director I detested most"): no wonder Miss D. found the going tough.

No wonder she was happier later, rampaging the World War Two battle zones. Here she met General Patton ("he knew that I was needed on the front") and helped to liberate Berlin ("We pushed into Germany. . .").

But this idyll was short-lived. After the war, she went back to performing in order to earn money . . . somehow, one way or another, I managed to get



Marlene Dietrich: world-weary authority on the lunacies of Hollywood thinking

Sugar and spice

Nigel Andrews on two very different screen stars

through it." Ah yes. The trials of fame, the wages of celebrity. But even Dietrich's self-depictions have a glamour. This is an odd, riveting book. Between disowning her own ambition and the talent of most of her co-workers, Dietrich also manages some salves of enthusiasm. She is wonderful, for instance, on details of lighting and make-up. (It is news to me that her "blonde" hair in movies was the result of sprinkling a powder on naturally brown hair). And she is eloquently loyal to certain friends: "Papa Hemingway, Richard Burton, above all Mr. Magellan himself, Josef von Sternberg. Indeed with Sternberg the book's peculiar, piquant contradictions of tone - between the dismissive and the devotionally grateful - come to a head, I thought. *The Blue Angel* would be a flop, I found it very ordinary and vulgar," she writes. Ordinary and vulgar? Well, *chacun à son goût*.

MY LIFE
by Marlene Dietrich
Weidenfeld & Nicolson £14.95, 325 pages

CHILD STAR
by Shirley Temple Black
Headline £14.95, 323 pages

But wait - didn't she just write a few pages back that Sternberg was "creator, Lord of Light, an incomparable technician"? Ah well: you pay your money and you sort out Miss Dietrich's tangled thoughts for yourself.

Reading Shirley Temple's *Child Star* after *My Life* is like moving from the caviar course to the ice cream. The dimpled infant star - later a housewife and politician - has decided that 323 brisk, eventful pages just about do justice to her talent. (I preferred Dietrich's

Fiction

A feminist Jekyll and Hyde

EMMA TENNANT has turned the Jekyll and Hyde story into a contemporary feminist parable, an acid commentary on the return of Victorian values. In a corner of Notting Hill women lock their doors and windows against a rapist, but in the midst of their respectable houses and tended gardens lives a woman who epitomises violence and disorder.

In Robert Louis Stevenson's story, a drug enables Jekyll to realise his violent nature, to act out his wildest fantasies in the person of Mr Hyde. But in Tennant's version, the drugs allow Mrs Hyde to escape from her life as a rapidly ageing, impoverished single mother. Like Stevenson, Tennant reveals the truth through the journals and letters of several characters, the fragmented narrative mirroring the Jekyll-Hyde duality.

Two Women of London is an intelligent, often fascinating novel of ideas, but its dislocation, its forthright use of the Jekyll-Hyde story may also be its weakness. There is none of the delicious mystery or sus-

TWO WOMEN OF LONDON
by Emma Tennant
Faber & Faber £10.95, 121 pages

A SCHOOL FOR LOVERS
by Jill Paton Walsh
Weidenfeld & Nicolson £11.95, 186 pages

THE BURNING BOYS
by John Fuller
Chatto & Windus £10.95, 128 pages

OF SUCH SMALL DIFFERENCES
by Joanne Greenberg
Gollancz £12.95, 262 pages

pense of the Stevenson novel, the awe one feels at the transformation or the horror at the evil of Hyde; for Mrs Hyde is a victim, and the duality she reveals is not so much between good and evil, ego and id, as between wealth and poverty, the power of men and the paucity of choices for

women.

Jill Paton Walsh reworks the story and themes of Mosart's *Così Fan Tutte*, with Oxford undergraduates as the lovers and a dilapidated old country mansion the setting for their infidelities. *A School for Lovers* is a light, witty novel about the risks of falling in love. A vindictive Oxford tutor makes a bet with two of his acolytes that all women - including their fiancées - are faithless. He arranges for women to work at the mansion and for the men to appear as assistants, each to attempt to seduce the other's lover.

Jill Paton Walsh is not interested in realism, for neither the elaborate plot nor the characters are credible. It is difficult to imagine students so glibly and sexually innocent. Yet the novel works as a Shakespearean comedy, an operetta with majestic settings, disguises, queerness, changes in fortune, sympathy, and the belief that young love is too naive and transitory to be tragic.

In *The Burning Boys* John Fuller tells two stories, parallel in theme. One is about enlightenment, from innocence and oblivion to experience and consciousness. After his mother is killed in the Blitz, David is sent to Lancaster to live with his aunt and grandmother. Within the confines of his new home, from his hiding places under the table and in the cupboard, he learns the family secrets, the frightening grown-up truths. Gradually his world expands:

he visits the home of a rich friend, a fun-fair and finally a military hospital where a fighter pilot is recovering from terrible burns.

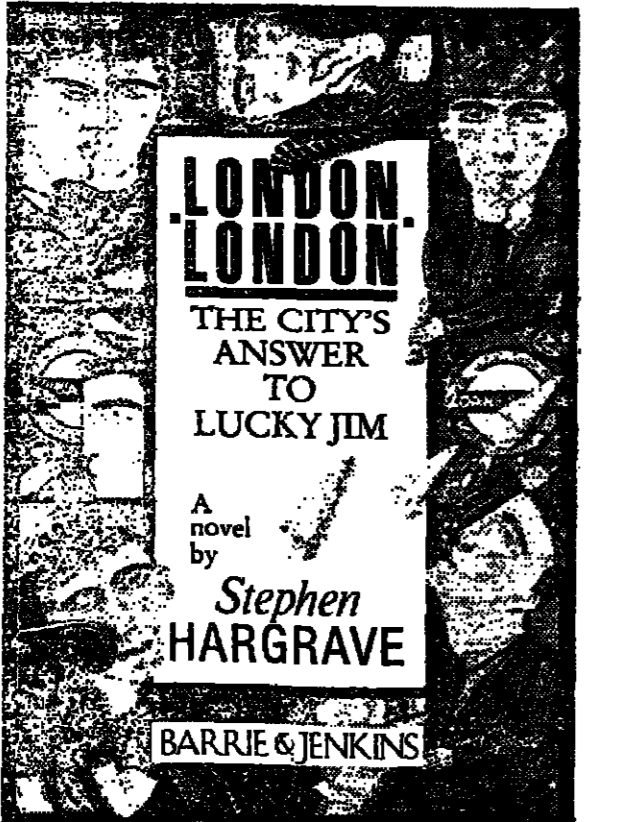
The pilot emerges from a coma unable to remember the names of his air force buddies. Slowly and painfully he is reborn, regaining the sight of one eye, the use of his mouth and finally his name. The brief meetings between David and the pilot cannot understand the halting speech of the wounded man, and is frightened by his mask of bandages. But he will never forget him, the lost airman so, like a child's fantasy, for the moment of their meeting is the beginning of his journey into adulthood.

Fuller's tender and nostalgic vision of childhood contrasts well with his uncomfortable descriptions of the pain, the confusion and the loss of the pilot; and the images of confinement, of revelation, of wounds like badges of experience, unite the two stories.

In *I Never Promised you a Rose Garden*, the novel which established her reputation, Joanne Greenberg entered the mind of a schizophrenic girl and revealed the beautiful but violent fantasies which paralyse her. In her newest book, *Of Such Small Differences*, she explores the world of John Moon, a deaf and blind man proud of his independence, his job at the workshop, his poetry, his cooking and cleaning skills. But the orderly life which he struggles to maintain is upset when he falls in love with an actress, someone from the sighted, hearing world.

Through touch, smell, sensation, the position of the sun, the direction of the winds, John perceives things in a way a sighted hearing person cannot. Greenberg's observant, delicate narrative, her extraordinary attention to detail, enables us to not only to appreciate the beauty and logic of communication and thought in the deaf and blind, but to see the limitations, the insensitivity, the selfishness of the "normal" world. This is a moving but never sentimental novel which for once examines the deaf and blind in their own terms.

Wendy Brandmark



Warriors of peace

Anthony McDermott on the UN's front-line troops

THE PEACEKEEPERS: AN ASSESSMENT OF PEACEKEEPING OPERATIONS AT THE ARAB-ISRAEL INTERFACE
by John Mackinlay
Unwin Hyman £25.00, 239 pages

UNIFIL: INTERNATIONAL PEACEKEEPING IN LEBANON 1978-1988
by Bjorn Skogmo
Lynne Rienner, Boulder, Colorado \$28.50, 279 pages

UN multi-national forces are, or should be, involved in peacekeeping rather than peacekeeping. And the UN operation in the Congo in the 1960s, where the forces were caught in a civil war (as later in Lebanon) and came across as being an aggressive element, has left its mark. Unifil, as a result, has been subject to considerable constraints on the extent to which it can use force in the face of harassment.

Li-Col Mackinlay, a clear Hannibal fan, looks at four peacekeeping and peace-observation operations round the world - stretching from the Middle East, to Namibia and Kashmir. It is no surprise that most of the more sensitive are involved in monitoring the effects of war and tensions in the Middle East.

From both these books it is apparent that peacekeeping is a thankless and dangerous task. In southern Lebanon, where many hostile factions operate, the Israelis and their allies, the South Lebanon Army, Shi'ite groups and Palestinians, to name a few - Unifil has been shot at, literally and verbally, from every side. Unifil is there doing a job on the basis of an inadequate mandate put by the UN Security Council in record time.

Within this context, the issue is raised as to whether

drawn from pine nations, with the West providing the bulk. Unifil, contrary to many assertions, could in no way have been able to resist Israel's massive invasion of Lebanon in 1982. Yet some, mainly Arab critics, hold this against Unifil. Skogmo's concentration is on Unifil itself. He presents some intriguing anecdotes, for example, of how the attitude of the Soviet Union towards Unifil has changed, of Israel's instinctive hostility towards any UN role, and of the machinations of France coloured by its historical links with Lebanon.

However, the most interesting part is his account of the diplomatic politicking in New York to set up and supervise Unifil's operations.

At the same time Li-Col Mackinlay gives his own professional insight into the logistics of a UN force. For example, it may have seemed bizarre to other parties, but with the Lebanese government in supreme chaos, Unifil had no choice but to rely on Israel (no friend of Unifil) for basic supplies and hospital beds in the event of casualties.

In addition, the commanders in the field had to make decisions which the politicians and their diplomats at the UN in New York and in the capitals of the troop-contributing countries found hard to take. For in the front-line are often young soldiers and commanders, trained to be aggressive professionals but having to conduct a diplomatic exercise with ramifications way beyond events in Lebanon.

Both the soldier and the diplomat in their different and thoughtful ways have shed light on the problems of the UN in the specialist area of peacekeeping as the UN tries to pick up in Lebanon the pieces of international politics that governments would rather wish out of sight. After more than ten years, Unifil has turned out to be anything but "interim" and a job nobody else wanted to take on.

It is easy to be critical of Unifil. Both authors make clear the practical problems of rapidly setting up a force, currently of about 6,000 men

the Catholic organisation Opus Dei is less easy but fascinating yet frightening, particularly considering the murder plot non-sense without, thanks to obstruction, evasion and plain lying, being sure of the cause of death. He suggests that it was probably a pulmonary embolism, and not the heart-attack listed on the death certificate.

The dead Pope emerges as a sad, simple figure out of his depth. John Paul probably willed his own death and foresaw he would be succeeded by a foreigner. Few high-ranking prelates will be happy. Cornwall accuses them of causing the Pope's death by neglect and lack of love. That may be harsh - after all, a grown man already a prince of the Church should be expected to take the elementary precaution of consulting a doctor when he feels sick.

Michael Walsh's account of

The death of a Pope

A THIEF IN THE NIGHT: THE DEATH OF POPE JOHN PAUL I
by John Cornwell
Viking £14.95, 317 pages

THE SECRET WORLD OF OPUS DEI
by Michael Walsh
Grafton £14.95, 219 pages



Pope John Paul I: a sad, simple figure

ALBINO LUCIANI was virtually unknown until one August he travelled from his Venice home to Rome. A few days later he emerged as John Paul I, "the smiling Pope". Pious Roman Catholics claimed that his election was the work of the Holy Spirit, noting that it took only four ballots, the shortest conclave of the century. If so, then God moves in mysterious ways. For in 38 days John Paul was dead, the sixth shortest papal reign in nearly 2,000 years.

Writers have speculated on why and how he died. David Yallop's *In God's Name* was only the last in a series of books alleging that John Paul was killed by high-ranking prelates in the Vatican who feared that he was going to sweep the Church clean, change traditional teaching on birth control and remove Archbishop Paul Marcinkus, the controversial head of the Vatican Bank.

John Cornwell was given unusual access within the Vatican, he claims with Pope John Paul I's approval. He has produced a gripping read, a real life and death detective story, in which our hero, the detective's frustrations faced with the Byzantine ways of the Vatican, intrude frequently. It includes a macabre but hilar-

ous session with the Signoracci brothers, the papal morticians. By the end the author has scolded the murder plot non-sense without, thanks to obstruction, evasion and plain lying, being sure of the cause of death. He suggests that it was probably a pulmonary embolism, and not the heart-attack listed on the death certificate.

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All these groups are allegedly guilty in various ways of devaluing the art-experience on which they depend - either directly or indirectly, for their existence. The blindest crime of which they are collectively guilty, in Steiner's eyes is that of "the subversion and dissemination of the Logos."

The various activities and theories which have caused this devaluation since the start of the modern century, dated here from the time when Rimbaud said "Je suis un autre," are traced in the earlier parts of the book with dazzling all-inclusiveness. Steiner produces an endless series of correspondences between the arts and across the centuries. As a writer he is a citizen of the world; one who has mastered the jargon of many different intellectual disciplines and who arrogates the right to call up evidence at any time in any language from any part of the globe where the creative spirit has flourished. He is not professor of comparative literature at the university of Geneva for nothing.

Among much that is opaque and difficult there is also much that is eye-opening, mind-stretching, enlightening and exhilarating. His main charge may perhaps be summarised as follows: all the defendants have turned art in on itself. He has an eloquent passage on the perils of Narcissism and regards as especially serious any suggestion that view that the art-work or text is a mere pre-text for criticism, that it has no real existence "out there."

It is in the final peroration that Steiner fulms from the indictment to positive advocacy. His own view, stated with majestic confidence, is that art enables us to rise above our mortal state; it is an experience of transcendence, that of the ether. On the book's jacket there is a detail from Georges de la Tour's painting, "St Joseph the Carpenter" in which the light from a candle shines through a child's fingers as they shade the flame. There we have a visual metaphor of the way for Steiner art operates: the flame of immortality perceived through the flesh.

It is a traditional view, one which in respect of poetry, Sidney, Shakespeare, Shelley, Coleridge, T.S. Eliot and Auden, would have no quarrel whatsoever. It is an attempt to reawaken an old law that has been on the statute book for many centuries. What is interesting is the urgency with which the enforcement is proposed.

K. Natwar-Singh

High and mighty Earl

MOUNTBATTEN SUFFERED FROM CHRONIC IMMODESTY. While it was not the core of his character and did no public harm, it was nevertheless a most irritating trait in an otherwise engaging and dazzling individual.

Anthony Lambton is justified when he says in *The Mountbattens: The Battenbergs and Young Mountbatten* that this weakness made him, "even to his closest friends, a figure of fun." Why a man of Mountbatten's achievements should have been so obsessed with royal ancestry is something for psychologists to fathom.

Lord Lambton has his own obsession, which is to expose Mountbatten's ancestors and correct what he deems to be the distorted family history. According to Lambton, Mountbatten tampered with this history to right the wrong done to his father, "Deliberately," Lambton writes, "he encouraged himself to believe it was a virtue to cover up his own faults and those of his ancestors."

THE MOUNTBATTENS: THE BATTENBERGS AND YOUNG MOUNTBATTEN
by Anthony Lambton
Constable £12.95, 256 pages

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Meanwhile he tells here us

Kevin Rafferty



Art for art's sake

REAL PRESENCES
by George Steiner
Faber & Faber £12.99, 236 pages

GEORGE STEINER writes - even about the most abstract matters - adversarially. He pleads; he strains every sinew to make his points, plundering the entire corpus of literature, music and the visual arts for evidence. The reader is invited not so much to engage with Steiner intellectually, disputing this or that part of the argument, but to sit back as a member of a silent, somewhat brow-beaten jury, and ponder the mass of depictions. Eventually, after several hours on his feet without adjournment, Steiner sits down and rests his case. The reader must decide then whether or not Steiner has secured a conviction.

In *Real Presences* there are a very large number of defendants. All of them have theorised or made assumptions about the peculiar kind of experience we have when we read a novel, watch a play, listen to music. Some of these assumptions are those of such petty criminals as book-reviewers, doing their best to interpret and assess new works; others are come from such hardened recidivists as deconstructionist theorists, postivist philosophers, clinical psychologists, structuralist critics, exponents of linguistics.

All these groups are allegedly guilty in various ways of devaluing the art-experience on which they depend - either directly or indirectly, for their existence. The blindest crime of which they are collectively guilty, in Steiner's eyes is that of "the subversion and dissemination of the Logos."

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Anthony Curtis

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Fraud and other facts of life

David Kirk on an entertaining study of a perennial problem

WHENEVER LIES - If at all - the fascination of fraud? Ask any juror who has sat through three months of a fraud trial and the answer may not be printable. And yet, as Bose and Gunn's book perhaps demonstrates by the very fact that it has been written, fraud is of considerable interest. The authors also rightly point out that it is a crime which, more than any other, affects us all.

But colourful accounts of the exploits of the Sethias, Sivas, Dikkos, Boesky and Cameron-Webba - as told by Bose and Gunn - reflect the tip of the iceberg. Although it is this level of malpractice which is, as the title of this book claims, The Growth Industry of the Eighties, it may be viewed as largely irrelevant for practical purposes.

FRAUD - THE GROWTH INDUSTRY OF THE EIGHTIES

By Mihir Bose and Cathy Gunn

Unwin Hyman, £12.95

The unfortunate Crown Prosecution Service, which has to prosecute the vast majority of frauds, is woefully underfunded, demoralised and mismanaged. Many police fraud squads, particularly in the smaller county forces, are accorded a low level of priority. It is unlikely that fraud will effectively be combated by the present structure.

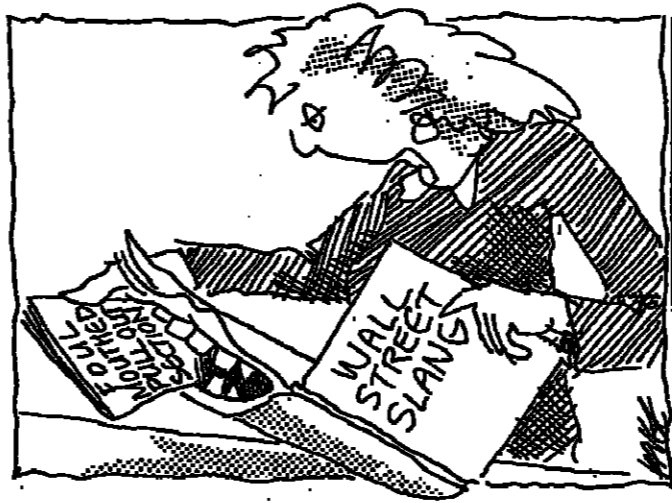
instead of striking at the root of the many problems associated with fighting fraud, have barely scratched the surface. Very few satisfactory prosecutions have resulted from the cases they cite, and it is difficult to anticipate that the success rate will rise under the new regime.

This reservation apart, Bose and Gunn write perceptively. Their descriptions of recent major fraud cases are well-researched and entertaining.

In concentrating on large-scale international fraud they have identified recent trends which have eased the path of the fraudster and immeasurably complicated the task of the investigator. The instant electronic transfer of funds across international boundaries, for example, lies at the heart of much serious fraud.

The level of cooperation between the authorities of different countries, although showing a marked improvement, continues to be generally deplorable and is another weapon for the fraudster.

David Kirk heads the Fraud and Regulation Unit at the City of London Law Firm Stephenson Harwood.



Chairmen of the bawdy

KATHLEEN ODEAN has written an unusual, rather wonderful history of high-powered money in the American grain. According to her, the riskiness of the broker's life has inspired a sardonic wit, and the difficulties of applying Rothschild's golden rule (Buy Cheap, Sell Dear) are manifest in the wisecracks and one-liners found on Wall Street: "How do you make a small fortune on the futures market? Start with a large fortune."

HIGH-STEPPERS, FALLEN ANGELS AND LOLLIPOPS: WALL STREET SLANG

By Kathleen Odean

Dodd, Mead and Company (New York), 212 pages

course. To avoid confusion with McDonnell-Douglas, McDonald's is known as "Murder Burgers," and for years the hapless Pittsburgh Screw and Bolt Company suffered under the moniker "love 'em and leave 'em."

There is an intriguing (and topical) chapter on mergers and takeovers in which we learn that the dreaded "Saturday Night Special" dates from Coors Industries' astoundingly weekend bid for pocket-sized gunner Garlock in 1975 (the deal was "cheap, and it went off quickly").

While a wealth of anecdote finds Odean amused, she is less happy with the everyday four-letteredness of the terms, which win no prizes for creativity in her opinion but whom I find hilarious. This applies especially to the sexy (she says sexist) lingo of the Options market, in which one kindly bollocks slangs, strings and "spreads" to make a killing, having entered the fray "naked" or "covered."

Verbal at least Wall Street is still a man's world, and although Odean would love to denounce all this as rampant machismo, she hasn't the nerve to unleash a fiery feminist broadside. It seems the lady has a good ear but no teeth, or perhaps she fears the simple truth is that Gentlemen Prefer Bonds.

Andrew Marino

Bold imaginings for a brave new world

ALL PROGRESS depends on the unreasonable man, said George Bernard Shaw; hence Charles Handy's title, The Age of Unreason. This is a time, Handy declares, for "bold imaginings in private life as well as public, for thinking the unlikely and doing the unreasonable."

It is an age, he argues, when changes have become "discontinuous," by which he means that there is no pattern in them. Revolutionary developments, most of all in information technology and biotechnology, are combining to change our world - and in particular the world of Work and, in consequence, of corporate organisation - to a degree which demands "upside-down thinking." His examples are spread far and wide: the end of the concept of employment; the case for horizontal careers; the post-heroic business leader; fixed-term marriage; a National Income scheme; institutional titling; part-time priests; and much else.

In the future, less than a quarter of the population are going to have full-time jobs inside an organisation, he maintains, and he agrees that much what he has to say is principally addressed to today's traditional career executive whose life is going to be transformed so dramatically in this brave new world.

There will be three categories of work - the Core (the minority, highly qualified, hard working, well rewarded with performance related bonuses, but one day with a left-over life to live); the Contractual Fringe, both organisations and individuals, paid for

results; and the Flexible labour force - contract labour.

The corporation is already changing in association with the emergence of this "sham-rock organisation" of work. Hence too the arrival of the international federal organisation, with its dramatically slotted-down central office, allocating funds and executives which provide the drive and energy.

But Handy is rather more fascinating, one suspects, in the implications of all this for our private lives. He acknowledges that there are dangers in "half the people working twice as hard while the other half have not enough to do." He puts his faith in Noel Coward - "Work is much more fun than fun" - in the sense that for the first time, in his own words: "We have a chance to shape our work to suit the way we live, instead of our lives to fit our work." He urges us to embrace the Portfolio Life, which he proceeds to explain in a reassuring, even tempting way.

Of course, he cuts corners in so brisk a canter. He is bound to be thin on detail (the privatisation argument needs development. He fails to find any single reference to trade unionism), and the chapter on Portfolio Marriage is foolish (do management consultants really think they understand the illogic of the human heart?) But by and large he provokes, stimulates, challenges. And it is slim enough to be read by that career executive on a single Business Class flight.

J.D.F. Jones

THE AGE OF UNREASON

By Charles Handy

Business Books Ltd (Century Hutchinson), £10.95, 261 pages

BUSINESS BOOKS

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tem. By understanding the need for business and political intelligence, by preventing too much internal feuding, and by following the Japanese practice of rewarding ability even to the extent of adopting able employees into the family, Mitsuji grew gradually from a family enterprise into a diversified but tightly co-ordinated conglomerate.

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Bantam Press, £12.95



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short-term profits, but by developing a better understanding of the business. Mohn is severely critical of inadequate laws now being flouted in Japan and America as well as other parts of the world, it will not be surprising for the zaibatsu to take formal shape again if circumstances are right.

written about Japan for 30 years, Roberts combines his understanding of the country with an undoubtedly American perspective. This has the disadvantage of viewing things from a Western rather than a Japanese viewpoint, but it does show very clearly the nature of the challenge posed by the rise of Japan.

Patterns of science

THE DIFFICULTIES of carrying out successful industrial research and development can never have been franked more thoroughly and frankly than in this account of nearly 80 years of R & D by Du Pont, the biggest US chemicals group.

"debug" his own processes. Ironically, Wiggatt's enduring contribution was to introduce the company to one of the most difficult problems R&D has to face: when and how to stop a project. By 1909 the company's patent lawyers had declared almost all the Wizard's 200 claims to be "worthless and unpatentable."

SCIENCE AND CORPORATE STRATEGY: DU PONT R & D 1902 - 1980
By David A. Hoanshell and John Kenly Smith Jr
Cambridge University Press, £27.50, 776 pages

the commercial opportunities of the exciting new nuclear technology. The company originally embarked on R & D in 1902, as an explosives company making smokeless powder for the US Navy.

In 1913 the US Justice Department allowed the company to retain all of its smokeless powder capacity. The reason it gave was its reputation with the military. The Experimental Station set a pattern for science in Du Pont which has endured for nearly 90 years.

An overblown buzzword

TWO LESS THAN sonorous words have dominated discussions about the international financial markets throughout much of the 1980s: globalisation and securitisation. In both cases the claims have been overblown.

in the allocation of capital, certainly when compared to the bank-dominated 1970s, the shift towards securitisation was also exaggerated. The stock market crash of 1987 triggered an international surge in international bank lending as investors fretted about all types of securities.

SECURITISATION
By John Henderson and Jonathan P. Scott
Woodhead-Faulkner, £55, 182 pages

than borrowing from banks - yet these costs were ending up on the balance sheets of banks. The authors prefer to define securitisation narrowly, as the process by which assets are removed from the balance sheets of banks, packaged and sold to investors who have no recourse to the bank that originally held the assets.

Prabhu Gupta

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Plotting patterns in an irrational world

PRICE MOVEMENTS in financial markets, says Tony Plummer, are not the wholly unpredictable outcome of wholly rational decisions taken by completely independent people. Instead, he claims, they are the result of often irrational behaviour by conflicting crowds in the grip of various forms of emotion and hysteria. So far so good. But can Plummer develop a theory to explain price patterns and provide the basis for profitable investment? You can admire his sheer nerve at trying to develop a theoretical framework for the empirical techniques of various technical analysts, including Elliott, of "wave" fame. But this combination of amateur psychology, mathematical science and superstition simply will not do. His basic model is founded upon two groups of investors - the bullish crowd and the bearish crowd, but it is not at all clear that the real world is as simple as that. Things rapidly get murkier when he starts plotting changes in prices on one axis against sentiment on another. Sentiment? He defines this as "the combination of emotion, judgment and activity," but I am afraid I am none the wiser.

FORECASTING FINANCIAL MARKETS By Tony Plummer Kogan Page, £25, 264 pages

Some of the author's mathematical analyses are more interesting. He looks at Fibonacci number sequences and spiral theory, and the role of the Golden Ratio (1.618) and its associated ratio 0.618 and 2.618. Footsie's fall from its intraday high in July 1987 to its intraday low in November was 38.3 per cent, almost exactly in line with the classic retracement ratio of 0.618. These occasional curiosities do, however, add up to a convincing theory. Repeatedly Plummer makes the claim that his techniques can make money for instance, on page 40 he suggests that technical analysis would have to start with randomly chosen situations and then show that there was a statistically significant chance of using standardised techniques to show a profit.

But the author's examples prove nothing. For myself, I am prepared to believe that inspired individuals can occasionally come to important decisions. However, the whole subject has been degraded by the willingness of gurus to generate predictions from any chart at any time. Meanwhile, for all his claims that technical analysis is simple, the author reveals in complexity. The gilt-edged market, he announces, features 16 different cycles. As for one of the most famous cycles, the Kondratieff wave, which lasts more than 50 years, Plummer wrestles manfully with the implications. Was August 1987 the peak? Alternatively, was October 1987 the low? Then again, maybe the real peak will come in the year 2000. The one conclusion he does not manage to come to is the commonplace one, that if the Kondratieff cycle really exists it is far too elusive and fragile to be used for predictive purposes. But when all is said and done, Tony Plummer's obvious enthusiasm shines through. The book will entertain and intrigue keen investors even if it fails to convince them. Barry Riley



New Street, Birmingham, in 1838

Big-time Birmingham

"SHOW THEY got their fortune nobody knows. They came from Birmingham, which is not a place to promise much, you know, Mr Weston. One has not great hopes from Birmingham. I always think there is something dreadful in the word." Thus spoke the country vicar's wife Mrs Elton in Jane Austen's Emma, published in 1816. Mrs Elton had probably not

BIRMINGHAM: THE FIRST MANUFACTURING TOWN IN THE WORLD By Eric Hopkins Michael Joseph, £20, 222 pages

heard of men like John Taylor, who had done all that was needed nearly a century before to become a big noise in Brum. He soon became the biggest manufacturer in the city's Dale End area, producing gilt buttons and enamelled snuff boxes. He also founded Birmingham's first bank, Taylor & Lloyd, in 1766, and left £200,000 to his will. This book about the rise of Birmingham, published recently for the city's centenary, is the work of an economic and social history at Birmingham University. It is full of information about the early entrepreneurs, and ranges through the growth of Birmingham's industries (mainly guns, toys, jewellery and brass). But its central theme is a new vision of the Industrial Revolution. The expansion of Birmingham does not fit easily into the traditional descriptions of this period. As the book says:

"These accounts emphasise, again and again, technological advance in the textile and iron industries, together with the development of steam power and railways. Yet Birmingham became a massive manufacturing centre in the 18th century, of greater importance than Manchester in the early days of expansion, without the aid of that wave of gadgets... Birmingham's success was based very largely on hand technology, and as we have seen, steam power played little part until the 1830s at the earliest." Hopkins gives all kinds of reasons for these differences. Writing about different class relationships, he points out that although workers' living standards were low, there were not so many "filthy stunts amid scenes of disgusting squalor." In spite of some riots there was nothing like Manchester's Peterloo, and "the stereotyped picture of Birmingham as a scene of class cooperation rather than class conflict seems to be substantially accurate." The book is a highly digestible chunk of business history, and whichever way you look at it, the Austen's Mrs Elton was wrong.

Alan Forrest

Trouble in store

BRITISH retailing appears to be in a state of chaos. The Chancellor bears some of the blame for this. His successful retailing is now cutting retail sales. But retailers themselves are equally culpable. There is a depressing sameness to Britain's high streets at present, as retailers copy each others' successful ideas. Difficult trading conditions have made things worse, as retailers cut prices in response to falling sales. It would seem obvious that what shops need to do to attract and retain custom is to be different from, not the same as, their competitors. Yet the obvious is so often overlooked that there is room for it to be said, and thus this is a valu-

able book. Its simple message is that "being different pays dividends." It argues that retailers, rather than just distributing manufacturer's goods, should add value to the merchandise and build their stores into brands. Added value can be achieved through such elements as more choice, better service, higher quality or even lower prices. Each provides the retailer with a way of differentiating its "offer" to customers. Market research can suggest what shoppers regard as the ideal store. Success, says the book, comes by adopting one of two positions. The first is being closest to the ideal. But in an undifferentiated market, the retailers in the shadow of those closest to the average view of the ideal store will suffer. The alternative is to be sufficiently different to the ideal to "escape" from the shadow, while offering something attractive to a large enough population to make money. One has little difficulty agreeing with this thesis. A reminder of the state of food retailing in the mid-1980s shows that the Co-operative was at the same time "consistently far from the ideal and poorly differentiated." Marks and Spencer and Kwik Save were also some distance from the ideal but were clearly differentiated. "British retailing is comparatively profitable at the time of writing," say the authors. It is getting less so. Competition is becoming more intense. Those retailers which survive are likely to be the ones which have, by luck or judgment, adopted some of the strategies in this book. Maggie Urry

Private profit for the public good

US CORPORATIONS will this year donate roughly \$5bn to philanthropic causes of one kind or another, and in the UK, organisations such as Business in the Community are attracting growing support from a wide range of companies.

There are still managers who believe that their only job is to maximise profits, leaving shareholders to decide whether they want to donate their dividends to community causes. But in the current climate, they do not about such views out too loudly. What accounts for this voluntary restraint of profit maximisation, and why do businessmen feel the need to do other than rely on the operation of an invisible hand to transfer selfish motives into public benefits?

One possible explanation could be that the ownership of business has become separated over the years from its management. Professional managers may feel that they are not simply in business in order to pay out higher dividends, but have wider interests to serve. Another possibility is that corporate social responsibility is nothing more than a sop to labour, designed to keep the workers sweet. Both these viewpoints are demolished in a perceptive new book by Neil Mitchell, a US business executive. He shows that there is little relationship between the type of business ownership and profit performance, and that professionally managed firms are no more likely to have a conscience than those which are run by their owners.

Instead, Mitchell suggests that such policies originated in response to a new ideology of business power. They represented an attempt to legitimise that power in the eyes of government and other interested groups. The developments of the 1920s - such as the appearance of pension plans and sickness benefits - were a rejection of the old business ideology of the "robber barons." Concern about the diminishing power of business had been growing since the

THE GENEROUS CORPORATION: A POLITICAL ANALYSIS OF ECONOMIC POWER By Neil Mitchell Yale University Press, £14.95, 163 pages

Civil War and became a hot political issue in the period up to the Great War. Similarly, Mitchell links the current active approach of US corporations to philanthropy with the wave of hostility towards big business which swept the US in the decade after the mid 1960s. The higher the company, the more likely it is to be active in some sort of social policy, and the most likely to be involved of all are big companies in "unpopular" industries like oil, chemicals, and tobacco. These are the businesses which have to work the hardest to legitimise their corporate power.

Companies in Europe generally have less political influence than those in the US, which is why - according to Mitchell - they are not nearly so active on the social front. Perhaps so, but how do these arguments explain the growth of corporate giving in Britain under Thatcherism? After all, UK companies have not had such economic freedom and political power for years - while in the eyes of such heroes as Friedrich Hayek or Milton Friedman, the free market philosophy is not only unthreatening to the vitality of capitalism itself. It may be that British business is seeking to pre-empt political criticism in the future by showing its sense of social responsibility today. Or perhaps businessmen are seeking to legitimise in their own eyes their more rigorous approach to management. It is interesting to note that the unpleasant task to close down an uneconomic factory. The act of putting something back into the community, even if it is of a relatively unspecific nature, may provide some comfort. Richard Lambert

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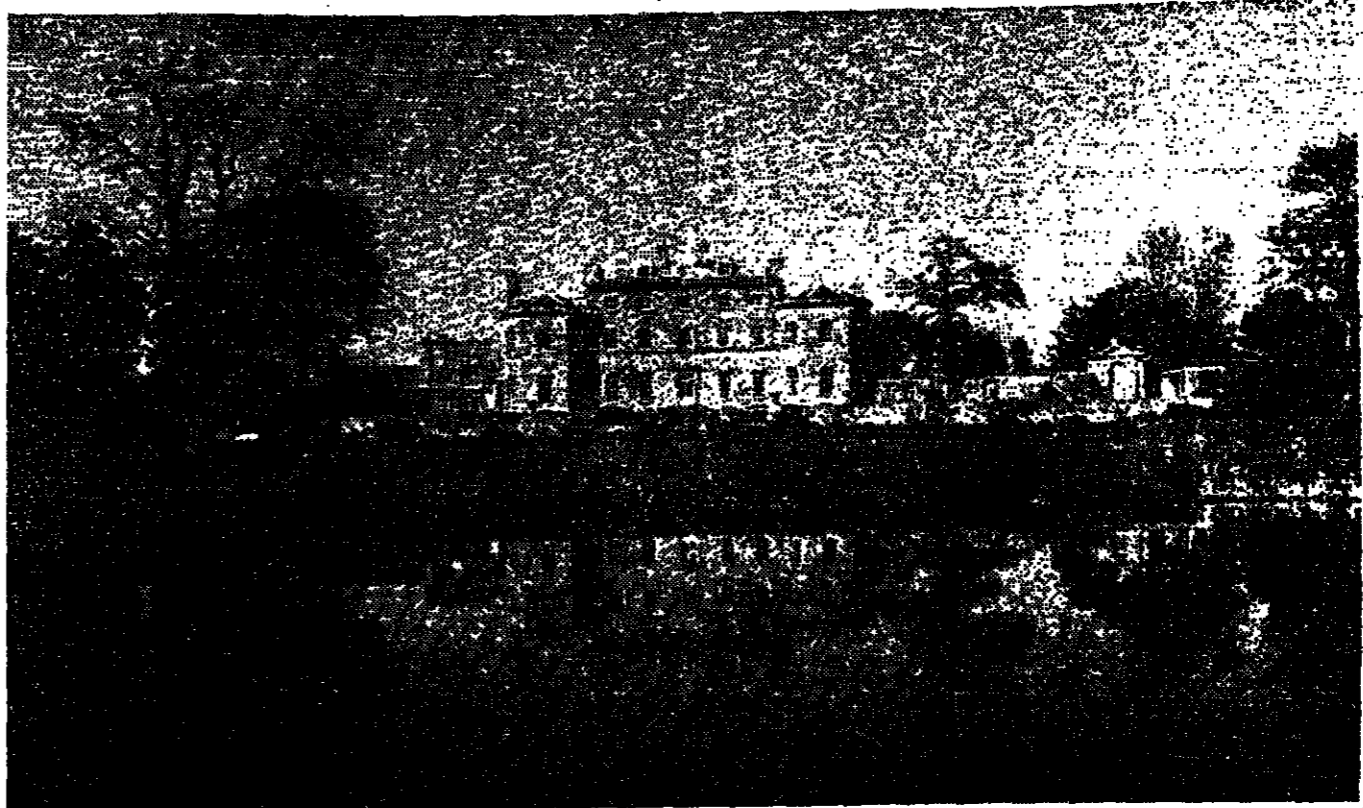
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PROPERTY

Bonanza time for buyers
Britain's housing market is full of good news, says John Brennan



The Pusey estate in Oxfordshire, valued at around £2m. The weakness of the pound gives overseas buyers an edge in the bidding

IT IS SO unfashionable to see anything but bad news in the housing market in Britain now that all the good news tends to get ignored.

It is certainly true that higher interest rates have forced up the costs of ownership, so reducing the re-sale values of the UK's 15m owner-occupied homes. But the higher mortgage rates are academic for a quarter of those owners, since they own their properties outright.

For the rest, the average loan still represents less than 70 per cent of the value of the average property and, even pegged to its now historic maximum limit of £30,000, tax relief on home loans remains a significant subsidy.

As for mortgages themselves, competition to lend has created a host of variations on the interest rate. Besides which, a home-secured mortgage still represents low-cost money in comparison with virtually any other form of personal borrowing.

That is no comfort to those sliding down the non-repayment slope towards repossession. But set against the couple of million people who now seek advice each year on consumer debt problems, the number of home-owners who do fall through the building societies' and banks' tight-meshed safety nets of deferred loan payments and extended loan terms is, in statistical if not human terms, minuscule.

As for falling values, the bad news is only paper-thin for the overwhelming majority of owners. You might not get as much for a property in 1989 as you would have in 1988 but, unless you are trading out of the market altogether, what does this matter?

Rising earnings and static (or reduced) house prices keep the housing ladder from disappearing out of first-time buyers' reach. Static or reduced prices benefit those trading up-market, since any discount on a cheaper property is more than countered by the discount on a more expensive one.

Anyone trading down-market runs into the reverse effect but, with luck, they should be sitting on a longer-term (and,

therefore, larger) equity in their home to begin with.

Punctuating the "wealth factor" where rising property value make people feel more prosperous and thus more confident about borrowing to spend, can hardly be treated as bad news - unless a doubling of consumer debt in real terms since 1981, and the consequent

sucking-in of imported consumer goods, is regarded as an unqualified boon.

Treasury estimates suggest that as much as £26bn of last year's £40bn-plus net new advances against property were equity releases for spending on anything but UK bricks and mortar, so today's loans might better be reserved for

the shops rather than the housing market.

Looked at in retailing terms, the housing market today is packed with good news for buyers. It is as if, after a period when you could be a customer only as long as you were willing to queue overnight and pay more than the market price, every car showroom in the

country announced that all their best new and classic models were going on display on the forecourt. Immediately that you could have all the time in the world to walk around kicking anything that took your fancy. AND that the price of every single car was open to offers.

Yet, when much the same thing happens to housing, it is greeted as a tragedy.

This time last year, few of the really good properties for sale ever made it into the open market. Now, cash buyers have rarely had it so good. After the usual winter hoarding of properties, the vendors and agents held back all but the most immediately saleable until the sun and viewers were about, the agents' books are groaning with spring and early-summer listings of town and country homes.

For buyers from overseas who haven't written off the UK as a market for investment, the recent slide in the value of the pound has been pushing British homes to a far deeper discount than any home-grown price cuts. In dollar terms, those wanting a London home, an antique to live in, or a country estate, have saved more than 10 pence in the pound since January, on currency exchange rate changes alone.

Knight Frank & Rutley reports a marked increase in the number of foreign buyers picking country estates from its books since the turn of the year as a result of sterling's bargain appeal.

The weakness of the pound gives overseas buyers an extra edge in competition for this season's crop of major estates, led thus far in 1989 by the arrival on the market of the 1,300 Oxfordshire acres of the Pusey estate, valued at £2m by joint agents Savills (01-499-8644) and Clintons (01-494-4155).

SOME 350 affordable village homes have been built in a project run by the National Agricultural Centre Rural Trust (NACRT) to stem the alarming departure rate from English villages of local people on small incomes.

The trust was established because of concern over rural life as more and more young villagers move away - reluctantly because no local housing is available at affordable prices.

This is only the beginning; a lot more schemes are at various stages, ranging from the first initiative being taken by parish councils to the actual building of low-cost homes.

The two essentials for success are cheap land and non-profit-making housing. The schemes depend on acquiring small parcels of agricultural land, perhaps a paddock or field, just outside a village "envelope" or core. The trust pays landowners between £4,000 and £5,000 an acre - two or three times the going rate for agricultural land.

With the growing shortage of tied and estate cottages, accelerated by the rising value of property, the village housing situation has worsened.

But not all homes developed with the help of NACRT are for the young. Two-bedroom bungalows for elderly people are also being built, with small gardens and an alarm system linked to the telephone. In turn, occupation of these new homes by retired people releases three-bedroom houses as family homes.

The trust is divided into four regions: Midland, north, south-east and west. Most of the costs are met by the gov-

ernment-funded Rural Development Commission; the balance is raised by the trust through fund raising and donations.

Developments are planned either for renting or for shared ownership, which works on a mortgage basis.

Says Maryze Punyer, south-east regional director: "Shared equity is extremely popular in this region. The cost per house is between £35,000 and £40,000, so an income of £12,000 to £13,500 is needed."

This indicates the number of homes required for particular age groups and, hence, the size of land. Possible sites are then inspected and a decision reached, with the district council, on which sites are acceptable mutually.

Formal planning permission is then sought, after which a local architect designs a scheme to suit the area. This is presented to a public parish meeting where villagers express their views.

Although welcome, the com-

pleted schemes represent only a fragment of the need - estimated at 40,000 homes. The north alone needs at least 6,000 homes, reckons director Gareth Lawes, who is also an architect. Six schemes are planned and up to 16 further trust schemes are in progress plus about 15 shared ownership projects.

In the west, regional director Nicholas Bacon reports that the rental scheme at Timberscombe, Somerset, where the first 100 homes were completed in November, drew 50 applications from families with both housing need and strong local connections.

Sally Watts

Villages get a kiss of life

The two essentials for success are cheap land and non-profit-making housing. The schemes depend on acquiring small parcels of agricultural land, perhaps a paddock or field, just outside a village "envelope" or core. The trust pays landowners between £4,000 and £5,000 an acre - two or three times the going rate for agricultural land.

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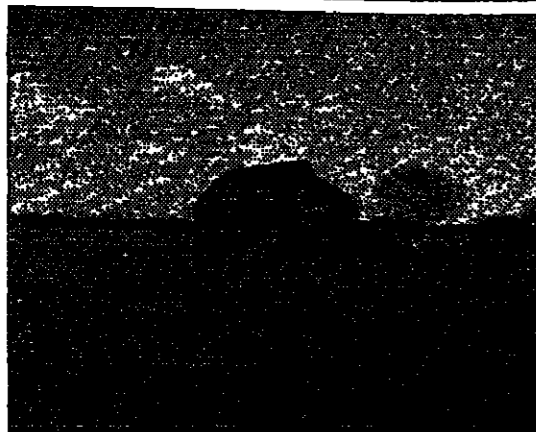
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required by cash buyer - up to £1,000,000. Impeccable financial references available. Vendors or their agents are invited to submit details to:
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PRUDENTIAL



EAST SUSSEX - 317 ACRES
Eastbourne - 12 miles
A beautifully situated country estate in an elevated position with outstanding views to the South Downs
THE PRINCIPAL HOUSE: 3 principal bedrooms and bathroom suites, 2 further bedrooms and 1 bathroom. Reception/dining hall, drawing room, sitting room, study, cloakroom, kitchen/breakfast room, utility room. Self-contained staff annexe. Three car garages. Heated swimming pool and pool house. Most attractive gardens.
DETACHED THREE BEDROOM COTTAGE
A PAIR OF THREE BEDROOM COTTAGES
Two ranges of farm buildings, paddocks, pasture and arable land.
In all about 317 acres
Substantial offers invited for the Freehold
LEWES OFFICE: (0273) 471231 HAILSHAM OFFICE: (0323) 448282



(Malden & M20 - 7 miles, Station - 1 mile)
A picturesque XV Century Wealden farmhouse with detached 3 bedroom east house.
MAIN HOUSE: 4 bedrooms, 2 bathrooms, 3 reception rooms, 32' kitchen etc, central heating, double garage.
OAST HOUSE: 3 bedrooms, 2 bathrooms, 2 reception rooms, 'Smallbone' kitchen, central heating, double garage.
TWO MAGNIFICENT OAK FRAMED PERIOD BARNs
Beautiful old landscaped gardens of about 2.5 acres
PRICE: £288,000
MARDEN OFFICE: (0622) 832249

THE PENTHOUSE

HEAT LAWN - BOWDON - CHESHIRE
P. A. Leary Developments are pleased to announce the sale of superbly the first penthouse in Cheshire, with breathtaking panoramic views. On two levels the accommodation comprises:
Upper penthouse with magnificent light level en-suite room and dining room.
Lower penthouse with family room with sliding doors to south-facing balcony, heavy breakfast kitchen, master bedroom with en-suite dressing room and bathroom, two further bedrooms and light level bathroom. En-suite with south facing view, terrace, pool, sun-room, shower room.
UNDERGROUND CAR PARKING.
Professional Property Services
6 The Square, Bowdon, Cheshire, WA10 2SD
Tel: 061 841 5752
John Agnew, 89 Abbey Road, Hale, ALTRINGHAM, Cheshire, WA15 9QJ
Tel: 061 928 588

CARTER JONAS
CHARTERED SURVEYORS

LEICESTER - RUTLAND
Children 2 miles, Leicestershire 14 miles, Rutland 12 miles
OST in London, St. Pancras, Fenchurch Street 27 miles

A fine listed country house with valuable grazing land on the edge of a popular conservation village in the heart of the Leicestershire-Trent Valley. Hall, three reception rooms, domestic offices, five first floor bedrooms, two bathrooms, two second floor bedrooms, tiled bathroom. On first central heating. Outbuildings, stabling, farm buildings, private grounds and grazing land.
REGION £225,000.00
Adjoining farmland up to 105.40 acres available in addition if required at valuation.
Peterborough office: Tel. 01-629 7154

BUCKS/HERTS BORDERS
Aylesbury 7 miles, Luton 16 miles
Tring 4 1/2 miles, Aylesbury 7 miles, London 30 miles

An attractive residential and mixed farm in superb countryside in the Vale of Aylesbury.
Period farm house with 4 reception rooms, 4 bedrooms, bathroom, covered with utility rooms, central heating. Range of traditional/modern farm buildings with potential for an equine enterprise. Productive arable and pasture land.
Two cottages available separately.
IN ALL ABOUT 310 ACRES
London office: 01-629 7154 Oxford office: (0805) 511444

LINCOLNSHIRE, Halywell
Standard 7 miles, Great Ouse 16 miles, A1 4 miles

Delightful country estate in a beautiful location with lovely stone-built residences. 4 reception rooms, 7 bedrooms, 4 bathrooms. Attractive gardens, lakes, outbuildings and farm buildings. Period 4-bedroom cottage, traditional range with potential for conversion, arable and pasture land.
For sale as a whole or in lots.
Peterborough office: 0233 08100 London office: 01-629 7154
London Office: Tel 01-629 7154

TRING PARK
London 32 miles, M1 (Junction 8) 14 miles.
Heathrow Airport 40 minutes

**MAGNIFICENTLY LANDSCAPED
18TH CENTURY FARM AND**

POTENTIAL FOR AN UNUSUAL DEVELOPMENT

Brown & Merry
COUNTRY HOUSE AND FARM SALES Tel: (0296) 622856

major freehold for sale

Grosvenor House
BRIGHTON

Suitable for redevelopment for a variety of uses connected with tourism or the conference centre industry
(Subject to planning consent).

CLUTTONS
45 Berkeley Square, London W1X 8DB Telephone 01-408 1010.

GA Town & Country

SUSSEX BRIGHTON TOWN CENTRE 2 MILES

A very fine Period House, Listed Grade II* of Queen Anne origins in a village setting on the outskirts of Brighton.

5 reception rooms, 5 principal bedrooms 2 secondary bedrooms, 2 bathrooms (1 en suite), cloakroom, kitchen/breakfast room. Gas fired central heating, 2 garages. Large secluded walled garden, 2 conservatories, planning consent for 2 dwellings in the kitchen garden.
Freehold For Sale as a whole.
Joint Sole Agents:
GA Town & Country, Storrington, Tel: (09066) 4342
OR Hammers, Lewes, Tel: (0273) 478328
London office - Tel: (01) 629 6700
London Office: 22 Grosvenor Square, London W1X 9LL. Tel: 01-495 5555
General Accident

PRODUCTION AGE, COMMERCIAL CONIFER WOOD

PHEASANT SHOOTING AVAILABLE.

SPROXTON WOOD
Near Helmsley, N. Yorkshire
52 Hectares (130 acres)
FOR SALE
GUIDE PRICE £150,000

BIDWELLS Forestry
Trumpington Road
Cambridge CB2 2LD
Tel: 0223 841841
Fax: 0223 840721

PAYNE & CO.

LIMPSFIELD HOUSE
LIMPSFIELD

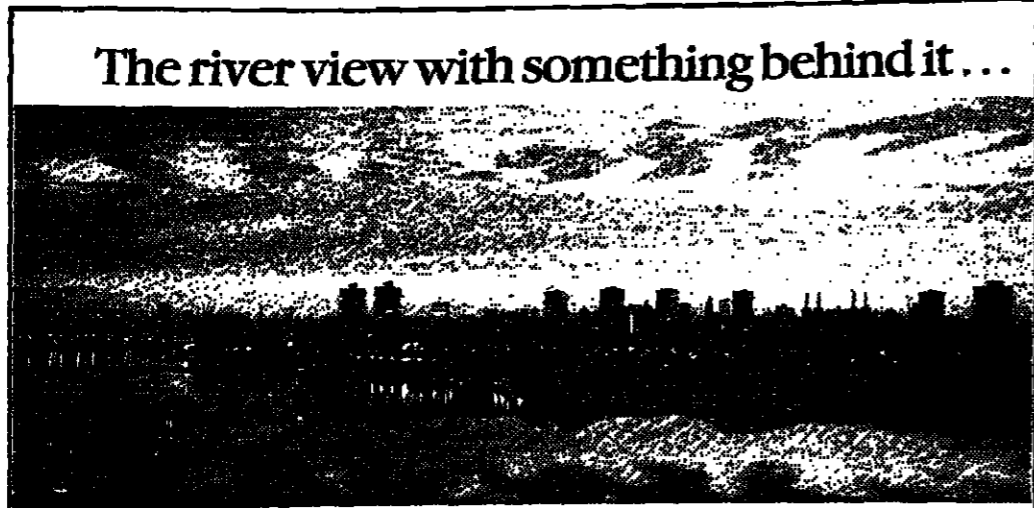
A very special opportunity.

Superb Georgian style family home in delightful setting.

4 Reception + full size paneled Smoking Room + Conservatory.
4 Bedrooms, Dressing Room, 3 Bathroom Inc. 2 Suites, Interior designed decor.
Approximately 1 1/2 Acres.
Colour Brochure - Payne & Co. - Oxford Office (0865) 712251/2

HAMPTONS

PRIME FORCE IN PROPERTY



The river view with something behind it...

... Chelsea and the West End.

You may find it hard to believe that you can combine a London riverside lifestyle with all the attractions of Chelsea's Kings Road, Knightsbridge and the West End, at less than a spectacular price.

Sands Wharf, a new masterpiece of Thameside architecture is set in landscaped surroundings in this incomparable location, alongside Chelsea Harbour.

The spacious 1-4 bedroom apartments and penthouses, all with river views, are immaculately finished, fitted and equipped. A full range of services include high-speed lifts, basement parking, 24-hour security and free membership of the planned sports centre. You can come and visit Sands Wharf, and admire what's behind it, any day of the week. Prices from £245,000.

Show Flats Open: Monday - Saturday 10am-6pm; Sunday 12 noon-6pm. Tel 01-731 8566.

HAMPTONS
RESIDENTIAL DEVELOPMENTS

Bovis Homes
A development by

Sands Wharf, Townsend Road, Putnam, London SW6. Tel 01-731 8566 Fax 01-264 1800



WEST COUNTRY

GLOUCESTERSHIRE - COLE ST. ALDWYNS

Cirencester 10 miles. Early 18th Century farmhouse in original condition with a superb range of barns for conversion, on the edge of the Cotswolds in nearly 17 acres surrounded by open countryside. Unspoilt views to the Marlborough Downs. Extensive stabling and buildings. Polo ground and riding school. Hampton Pouch & Lee. Gloucester Office: (0285) 654535 and Marlborough Office: (0672) 58296



GLOUCESTERSHIRE - NR CHELTENHAM
A unique barn conversion in an outstanding elevated situation. Reception hall/study, 2 receptions, kitchen, 4 bedrooms, 2 bathrooms. Garaging. Outbuildings with consent for conversion to 3 holiday cottages. Gardens and paddock - in all about 2 1/2 acres. Substantial Offers invited for the Freehold. Hampton Pouch & Lee, Cheltenham: (0242) 222909



NORTH WILTSHIRE
M4 and Swindon 3 miles. Spacious farmhouse in quiet rural setting with panoramic views to Marlborough Downs in 7 acres. 3 receptions, 5 bedrooms, 2 bathrooms, boarded attic, utility and other rooms. Garaging. Fitted paddocks, 6 loose boxes, walled swimming pool. Guide Price £420,000 Hampton, Marlborough Office: (0672) 55181



WORCESTERSHIRE - WEST MALVERN
Substantial period residence with potential for alternative uses subject to P.P. Halls, 6 receptions, kitchen, cellars, 5 bedrooms, 4 bathrooms. Outbuildings. Swimming pool. Gardens & grounds of about 4 acres in all. Freehold for Sale Hampton, Worcester Office: (0905) 723313

HAMPTONS IN BATH

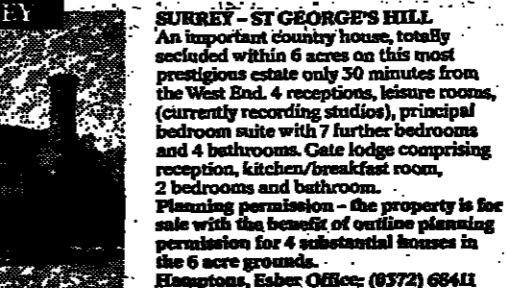
If you are buying or selling property in Bath and the surrounding area, then look no further than Hampton. Hampton have opened a new office in Bath, specialising in fine houses, cottages and estates, as well as land and new developments.

Hampton, in Bath is run by David Richardson, a man with more than 20 years' experience of the Bath property market. He and his team can offer you a superb choice of properties and an unrivalled source of potential buyers. They can also introduce you to an innovative range of back-up services.

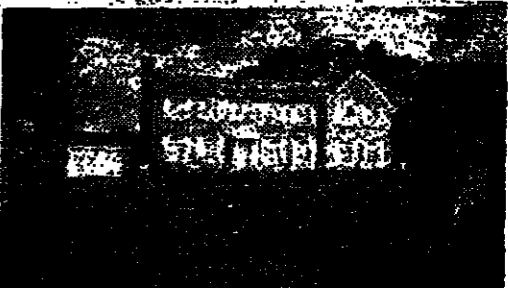
38 Gay Street, Bath, Avon. BA1 2NE (0225) 445003



SURREY
An important country house, totally secluded within 6 acres on this most prestigious estate only 30 minutes from the West End. 4 receptions, leisure rooms, (currently recording studios), principal bedroom suite with 7 further bedrooms and 4 bathrooms. Gate lodge comprising reception, kitchen/breakfast room, 2 bedrooms and bathroom. Planning permission - the property is for sale with the benefit of outline planning permission for 4 substantial houses in the 6 acre grounds. Hampton, Esher Office: (0372) 68411 and London Office: 01-493 8222



SURREY - ST GEORGE'S HILL
An important country house, totally secluded within 6 acres on this most prestigious estate only 30 minutes from the West End. 4 receptions, leisure rooms, (currently recording studios), principal bedroom suite with 7 further bedrooms and 4 bathrooms. Gate lodge comprising reception, kitchen/breakfast room, 2 bedrooms and bathroom. Planning permission - the property is for sale with the benefit of outline planning permission for 4 substantial houses in the 6 acre grounds. Hampton, Esher Office: (0372) 68411 and London Office: 01-493 8222



SURREY - EAST HORSLEY
Luxuriously appointed family house. 4 bedrooms, 3 bathrooms, 3 receptions, kitchen/breakfast room, fitted swimming pool, pool house and sauna. Gardens of 1 acre. Substantial Offers invited. ISA: Hampton, Guildford (0483) 572864 and Knight Frank & Rutley, (0483) 65171



LONDON
ST JOHN'S WOOD, NW8
A magnificent, detached, low built house, Grade II listed, dating back to the 16th Century. Boasting superb entertaining rooms and excellent family accommodation. Over 9000 sq ft set within 1/4 of an acre of walled gardens. Marble entrance hall, triple reception area, lounge, dining room, study, kitchen/breakfast room, family dining room, master bedroom suite with dressing room, 5 further bedrooms including guest suite, 4 bathrooms. Staff bedroom and bathroom. Landscaped gardens. Garaging and off street parking. Price on Application. Leasehold Hampton, St. John's Wood Office: 01-586 5999



SURREY - COOMBE-SIDE, NEW MALDEN
Six detached 4 and 5 bedroom houses in private, secluded development close to 3 golf courses, R.R. station and local shops. The houses have 5 receptions, kitchen, en suite bathrooms, cloakroom, GCH, garages, off street parking and secluded gardens. Prices from £399,500 Freehold. Hampton, Wimbledon Office: 01-946 6061



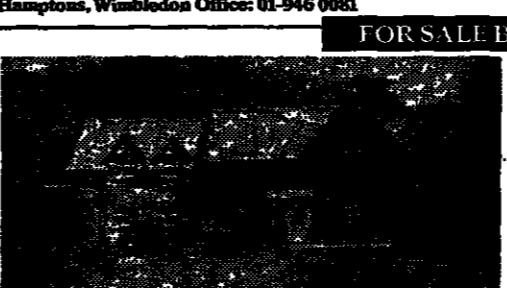
SURREY - GUILDFORD
A fine character house of generous proportions set in secluded grounds of 20 acres. 4 bedroom suites; 3 further bedrooms, family bathroom, billiard room, 5 receptions, kitchen/breakfast room, cloakroom. Garaging. For Sale by Auction - 19th July Hampton, Guildford Office: (0483) 572864



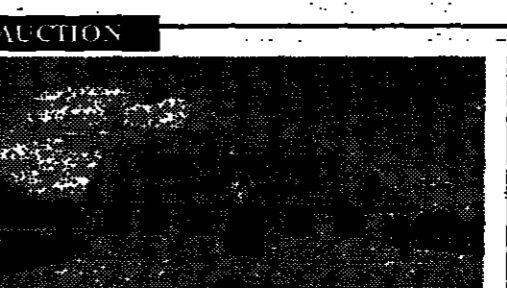
BUCKINGHAMSHIRE - MONKS RISHBOROUGH
Grade II listed period barn, sympathetically restored. Principal reception with full height vaulted ceiling and minstrel's gallery, 2 bathrooms, cloakroom/shower room, kitchen/breakfast room, up to 5 bedrooms. Freehold for Sale. ISA: Hampton, Great Missenden (02406) 5134 and Lane Fox, Princes Risborough: (08444) 2571



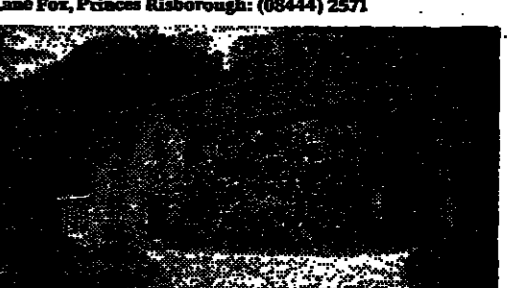
SUSSEX & KENT
WEST SUSSEX - HORSHAM 7 MILES
A beautifully presented country house set in park-like grounds. 6 bedrooms, dressing room, 3 bathrooms (including self-contained flat), 3 receptions, luxuriously fitted kitchen/breakfast room. Substantial barn. South facing park walled grounds, in all about 3 acres. Offers in excess of £450,000 Hampton, Horsham Office: (0403) 211766



KENT - OTFORD, NR SEVENOAKS
Detached family home in attractive water garden setting on the River Darent. Reception hall, cloakrooms, 3 receptions, kitchen/breakfast room, cellar, master bedroom suite, 4 further bedrooms, 2nd bathroom. Double garage. Delightful gardens. Offers in excess of £300,000 Freehold. Hampton, Sevenoaks Office: (0732) 460222



SOUTH BUCKINGHAMSHIRE - NR BURNHAM
Charming cottage forming part of the former Lodge to Dropmore House. 4 bedrooms, bathroom, cloakroom, 3 receptions, kitchen. Color gas heating. Garage space. Gardens just over 1/2 acre. Exposed beams. Auction 26th June (unless sold) Hampton Auction Department: (06285) 27433 or Burnham (0628) 663596



BUCKINGHAMSHIRE - PENN
A large family house in wooded grounds of 2 acres close to the town of Beaconsfield. 5 bedrooms, 3 bathrooms, 4 reception rooms, 2 garages, tennis court. Offers invited for the Freehold. Hampton, Beaconsfield Office: (0494) 677744



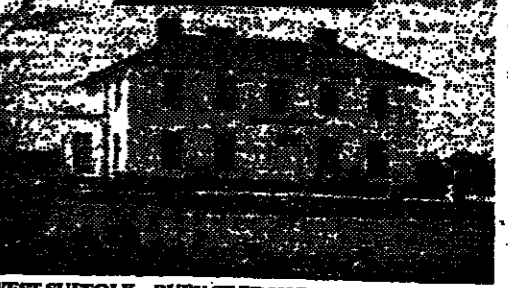
SUSSEX - PULBOROUGH 4 MILES
Delightful 17th Century country cottage in a totally unspoilt rural location close to the River Arun. 4 bedrooms, 3 reception rooms. Outbuildings. Gardens and paddocks in all about 13 acres. Price Guide £375,000 Hampton, Horsham Office: (0403) 211766



WEST SUSSEX - WEST HOATHLY
Impressive stone built country house. 2 receptions, conservatory, kitchen/breakfast room, cellar, 4 bedrooms, 2 bathrooms, tennis court. Garaging. Stables, tack room, menage, paddock. In all about 6 1/2 acres. Offers in excess of £425,000 Hampton, Tunbridge Wells: (0892) 515464



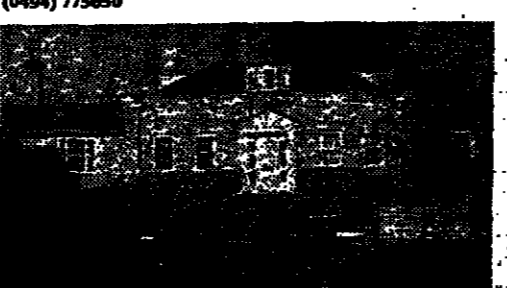
BUCKINGHAMSHIRE - OLD CHESHAM
Delightful detached period house in walled gardens. Some improvement required. 3 bedrooms, bathroom, 3 receptions, kitchen, Gas CH, brick garage. Auction 26th June (unless sold) Hampton Auction Department: (06285) 27433 or Hampton Christopher Rowland, Chesham: (0494) 779659



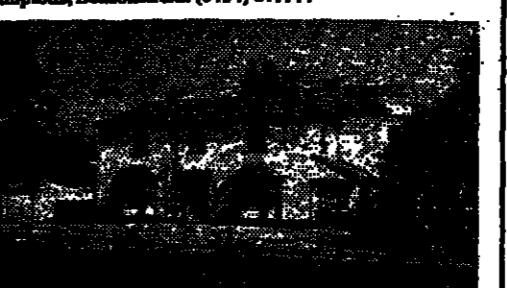
BUCKINGHAMSHIRE - BEACONSFIELD
Substantial detached house together with a building plot of about 0.6 of an acre set in total grounds of about 1.5 acres. 5 bedrooms, 3 bathrooms, 3 receptions, kitchen, utility, Garaging, Outbuilding, Gas CH. Auction 26th June (unless sold) Hampton Auction Department: (06285) 27433 or Hampton, Beaconsfield: (0494) 677744



LEICESTERSHIRE
LEICESTERSHIRE/RUTLAND BORDERS
Uppingham 6 miles. Market Harborough 10 miles. (St Peters 70 minutes). Peterborough 27 miles (King's Cross 47 minutes). A handsome superbly restored Grade II Listed Hall. 3 receptions, 5 bedrooms with bathrooms, sauna, further 5 bedrooms and bathroom. 3 flats. Courtyard with garaging and stabling, menage, paddock. Attractive gardens - about 5 acres (further land may be available). Hampton, London Office: 01-493 8222 and Stamford Office: (0750) 57908



SURREY - WEST CLANDON, NEAR GUILDFORD
Distinctive modern residence of the finest quality. 4 bedrooms, 3 bathrooms (including 2 ground floor suites), 3 receptions, loggia, kitchen, studio/glass house, workshop, Garaging. Gardens of about 1/2 of an acre. Auction 29th June. Price Guide £375-400,000 Hampton Mortgage May, Guildford Office: (0483) 582222



SURREY - CHERTSEY
In glorious park-like grounds of over 1 acre, standing on the original site of Chertsey Abbey once the burial ground of Henry VI, the major portion of a handsome Abbey mansion house. 4 bedrooms, bathroom, 3 receptions, loggia, 2 rooms en suite, kitchen, utility, hall, Garaging. Auction 29th June. Price Guide £250,000 Hampton Bridges, Weybridge Office: (0932) 856756



SUFFOLK - NEAR LAVENHAM
Glorious timber framed cottage in picture book village of Chelwicks, having river frontage to the Brett. Immaculate order with CH. Period 2 garage, very pretty, kitchen, 2 bedrooms, bathroom. Garage. Very pretty 1/2 acre gardens and 1 acre paddock. £190,000. Ref B3395 Hampton, Bury St. Edmunds Office: (0284) 767338

II HAMPTONS II INTERNATIONAL

PRIME FORCE IN EUROPEAN PROPERTY



8.00 10.30 12.00 3.00 4.30 8.00

Just another day

Days at Marina del Este are never dull; this idyllic Garden Estate in the Mediterranean, with its country club, swimming pools, restaurants and shops offers every form of relaxation you could wish for.

Just 1½ hours east of Malaga Airport, beyond Nerja, Marina del Este comprises luxury waterfront 2-3 bedroom apartments and penthouses from £90,000.

For more information, contact Amanda Smith on 01-493 8222.




Developed by Robert Trent Jones, 18-hole Golf Course in Dupont is considered to be one of the 10 best in the Costa del Sol.

Great greens under clear blue skies.

Endless golf, endless sunshine, Jardines del Golf on which this great ideal has been built. And the result is magnificent.

56 beautifully finished andalusian style houses overlooking the 10th fairway of the glorious Golf Course la Duquesa and the blue Mediterranean beyond. Just a stroll away is the traditional and fashionable harbour of Puerto la Duquesa, which is also a centre for watersports of every kind.

The Golf Club's attractions include superb tennis courts, bowling greens, indoor and outdoor swimming pools and a whole range of health, fitness and social facilities. The 3-bedroom houses at Jardines del Golf all have balconies, patios, garages and every modern luxury.

Prices start at £140,000.


To find out more about this golfing opportunity, which involves free membership of the Golf and Country Club, contact Sarah Coombes on 01-493 8222.




Whose other great love affair was the Island of Menorca?

There is a legend that a famous British Admiral took his lady love to Menorca in 1797. Certainly he visited the island many times and loved its peace, warmth and beauty; qualities which still tempt the British to visit the Island, and a fortunate few to buy houses there. And now in the lovely and exclusive village of Ses Tanques there couldn't be a wider choice, more to do, more to enjoy.

The houses are built in traditional Menorcan style in 17 varying designs. Superbly fitted and equipped, they all have a master bedroom suite, 2 or 3 more bedrooms and spacious living rooms opening out onto gardens and sea views. From £90,000.



Contact Hamptons International 01-493 8222

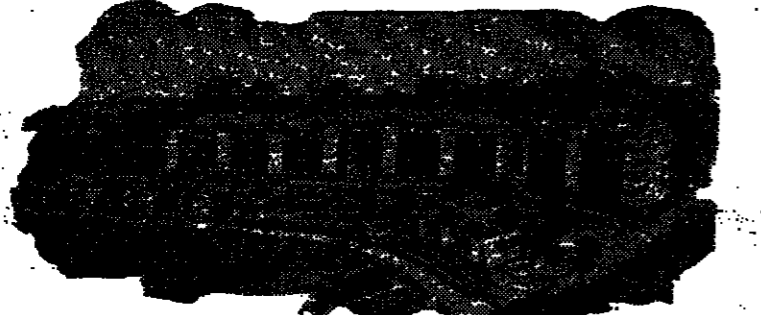
THE VIEW THAT INSPIRED ENGLISH TRADERS IN THE 1800'S IS STILL AN INSPIRATION TODAY.

Madeira is a place of tranquillity and beautiful views. Today, some 400 years after those first English traders arrived, there is a rare opportunity for the English to return again.

Reids Gardens is an elegant development of spacious apartments and houses, built in the gardens of Funchal's world-famous Reids Hotel. Reids Gardens faithfully recreates all the values that first drew visitors to Madeira.

The level of finish in each property is of the highest standard and the facilities available are unsurpassed.

The views today are as inspirational as they were in the 1800's.



Contact Hamptons International 01-493 8222




A Portuguese opportunity in London

We are pleased to announce our association with Alpar and are launching their two new developments in Western Algarve.

- 25 years of development experience
- Prime beachside locations
- High quality construction
- Excellent management service
- Superb sporting facilities

If you are looking for property in the Lagos area and these are your priorities, then come and meet the developers. Make an appointment by ringing 01-493 8222, or call into the exhibition in Hamptons International offices on Tuesday 13th and Wednesday 14th June, between 10am and 6pm. We will be promoting their full range of apartments and cottages from £35,000 to £78,000 as well as a selection of resale properties and individual villas from £100,000.

Contact Hamptons International 01-493 8222





We'll open your eyes to the real Portugal.

Only an hour from Lisbon there lies an area of such natural beauty, and so full of history and traditional culture, that it is impossible to believe that it is virtually undiscovered.

Yet views across the blue waters and golden sands of Lagoa de Obidos, and the white surf of the Atlantic beyond are the exclusive preserve of a selection of new and elite properties being developed by Stanley Miller PLC and Indusrest Ltd.

If you think you would be at home where sailing, wind surfing, swimming and fishing are a way of life, our Obidos Lagoon brochure will open your eyes.

Contact Hamptons International 01-493 8222

ALPES DE HAUTE PROVENCE


A selection of 52 private apartments and chalets.

La Fouix D'Allos

- only 2 hours' drive from Nice
- 200 km of excellent skiing
- 2 minutes' walk from the piste
- swimming pool, summer activities
- Scandinavian style

Apartments from £40,000.
Chalets from £70,000.

For further information please contact Annoushka Ducas, Hamptons International, 6 Arlington Street, St James's, London SW1A 1RB. Tel: 01-493 8222.



Umbria

The Green Heart of Italy. Situated 25 kms from Perugia, and within a private ten hectare country estate, this beautifully restored medieval property has been cleverly modernised to provide an exclusive collection of five spacious duplex apartments, and a detached studio. Swimming pool, Tennis court. Security, Maintenance and Maid Service.

Prices range from £120,000 to £330,000.

Mortgage available on each apartment. Please contact Philippa Green, Hamptons International, 01-493 8222.



18th century elegance, 20th century luxury.

Algarve, Portugal

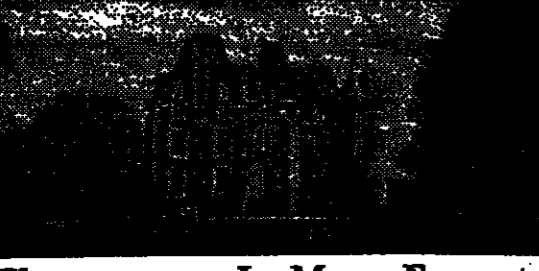
Lagos 15km, 1 hour's drive from Faro.

One of the Algarve's premier houses, built in classic 18th century Portuguese style, overlooking the world famous Penina Golf Course.

4 reception rooms, 5 double bedrooms all with en-suite bathrooms, kitchen, breakfast room, laundry, 2 cloakrooms, 3 car garage, swimming pool and jacuzzi. Membership to Golf Course.

Adjoining half acre plot with planning permission for staff cottages/tennis court.

Price on application.
Contact Hamptons International 01-493 8222




Chateau near Le Mans, France

A COMMERCIAL OPPORTUNITY

This 19th century chateau, together with extensive outbuildings is available for sale completely furnished and equipped as a residential institution. With limited alteration it would also lend itself to hotel use. The estate consists of 75 acres and there is the possibility of acquiring a further 125 acres of adjacent land, providing ample scope for a golf course, 27 bedrooms, 4 studio apartments, dining room, kitchen, communal bathrooms, conference capacity for 125 and lounge rooms.

Offers in excess of 10 million French francs.
Contact Hamptons International 01-493 8222



Languedoc Roussillon

A further 30 larger apartments are now available for sale off plan with delivery in July 1990.

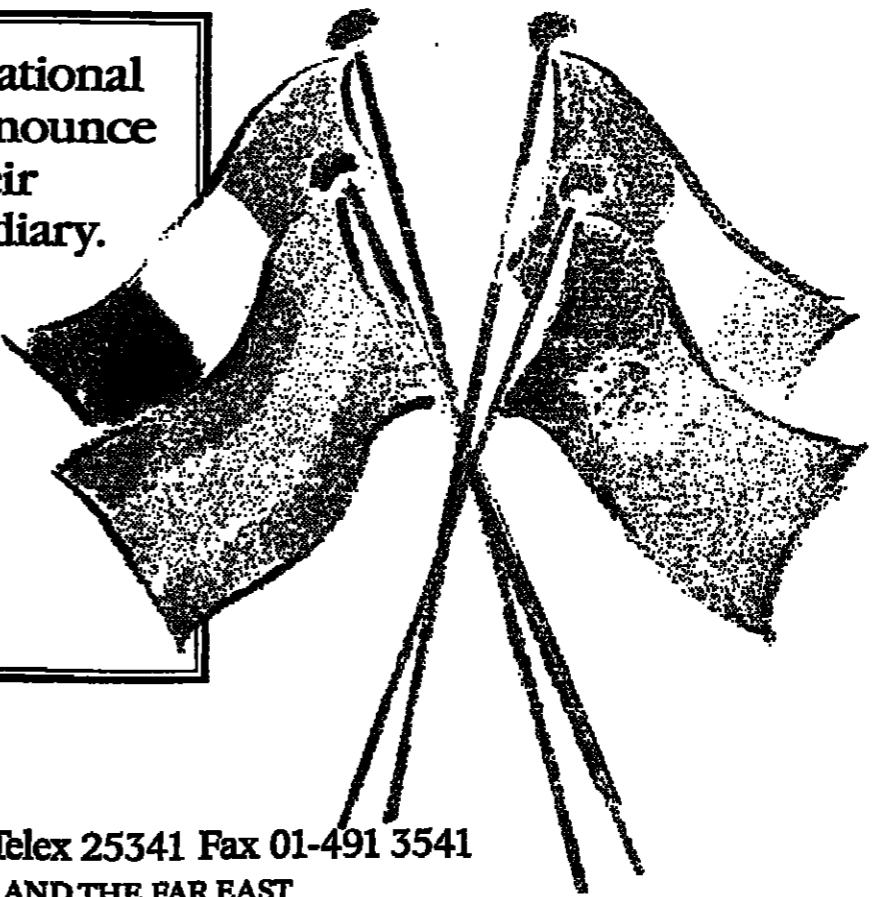
All units are either marina or beach facing in this prestigious new scheme located near Perpignan at the foothills of the Pyrenees. To add to resorting studio and one bedroom apartments are luxury 2 bedroom apartments and penthouses.

Prices for the freehold ranging from £40,000-£120,000. Enquires to Caroline Peel, Hamptons International, 01-493 8222.

Hamptons International are pleased to announce the launch of their Portuguese subsidiary.

II HAMPTONS II SOMEI

Based in the Amoreiras building in Lisbon, Hamptons Somei will provide a professional estate agency service to Lisbon and the surrounding area and will be servicing Hamptons International's existing portfolio on the Algarve and the Costa da Prata.

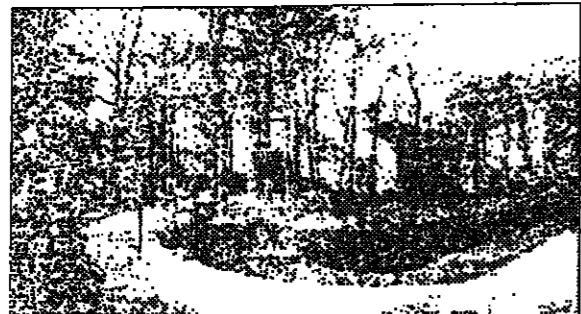
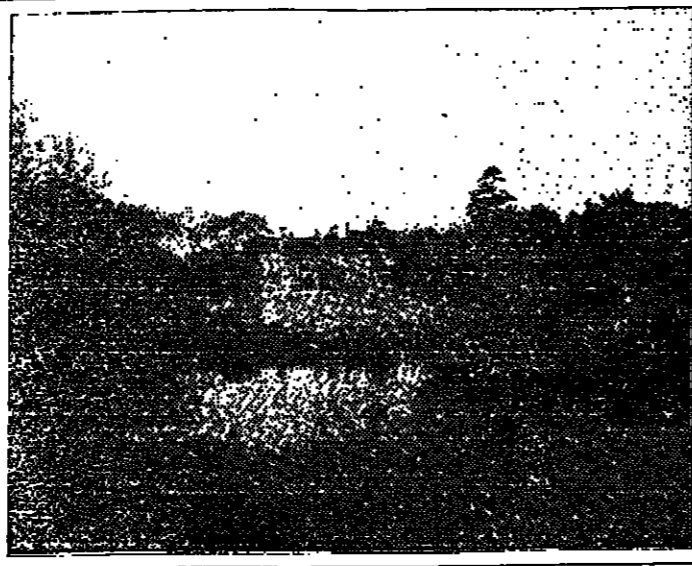


COUNTRY PROPERTY

SAVILLS

STAFFORDSHIRE 812 ACRES

Charley
Stafford 6 miles, Uttoxeter 6 miles.
An exceptional residential and sporting estate.
The Charley Hall Estate
812 acres of rolling countryside comprising a most impressive moated Manor House with an ornamental lake set in beautiful parkland containing the remains of Charley Castle.
Attractive farmhouse, 6 cottages, 3 ranges of excellent farm buildings.
Superb shoot, keeper's cottage.
For sale as a whole by private treaty.
Joint Agents: Savills, London. Tel: 01-499 8644.
Evans & Evans, Stafford. Tel: (0785) 42426.
Contract: Justin Marking or Katie Armytage.



FIFE - By St Andrews
St. Andrews 2 miles, Edinburgh Airport 56 miles.
A charming Georgian manse, re-furnished to the highest standard, with spectacular views over the surrounding countryside and Fife coastline.
3 reception rooms, kitchen, office, utility room, cloakroom, TV room, 7 bedrooms and 4 bathrooms. Oil fired central heating. Attractive walled garden. About 1 1/2 acres.
For sale as a whole with vacant possession.
Savills, Edinburgh. Tel: 031-226 0961.



BERKSHIRE - Cookham Dean
Marlow 20 miles, Maidenhead 40 miles, M40 exit 41 40 miles, M4 exit 891 6 miles, London 29 miles.
An immaculately presented substantial family home standing in a superb elevated location with perhaps one of the finest views in the Thames Valley.
Drawing room, dining room, sitting room, large kitchen/breakfast room, study, office, playroom/bedroom 5. Master suite of bedroom and bathroom, 3 further bedrooms, 3 further bathrooms. Double garage, swimming pool, garden and woodland.
About 7 acres.
Savills, London. Tel: 01-499 8644. Savills, Henley-on-Thames. Tel: (0491) 579990.
Contract: Nicholas Brown.



WEST SUSSEX About 88 ACRES
Nr. Haywards Heath
Haywards Heath 8 miles, Victoria London Bridge 47 minutes, A23M23 3 miles.
Character family house in a rural setting with 88 acres.
Main house: Entrance hall, drawing room, dining room, library, study, garden room, 6 bedrooms, 3 bathrooms, 3 secondary bedrooms and bathroom.
Lodge: 2 reception rooms, 2 bedrooms, bathroom.
Swimming pool, garden, outbuildings, stabling, garaging, ponds, pasture and arable.
Savills, London. Tel: 01-499 8644.
Contract: Christine Barber.



SUFFOLK About 485 ACRES
Lidgate
Newmarket 5 miles, London 1 hour, Bury St Edmunds 11 miles.
A fine residential farm, adjacent to one of Suffolk's most attractive villages. Delightful 6 bedroom principal house. Attractive farmhouse, currently comprising 2 semi-detached cottages.
Two ranges of modern and traditional farm buildings.
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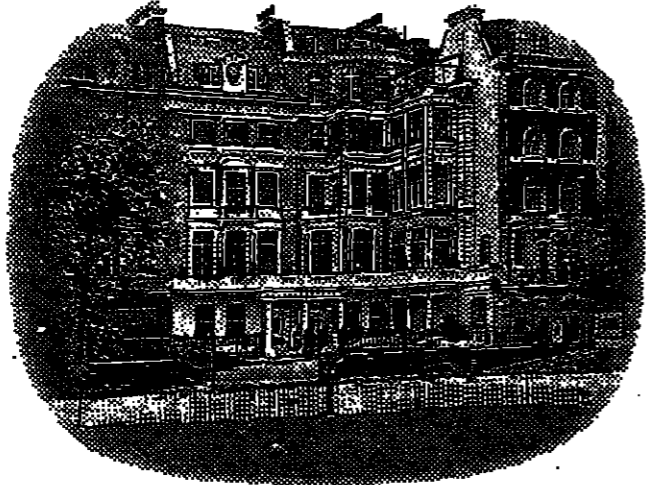
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Form for advertising property, including fields for name, address, telephone, and a section for payment details.

TRAVEL

TRAVEL BUSINESS

Surcharge fears

SURCHARGES, THE scourge of the travel trade last summer, have made an unwelcome reappearance for many holidaymakers. The good news for most Britons planning their summer holiday, however, is that the majority of package tours this summer - especially those to the Mediterranean - are unlikely to attract them. Most of the major tour operators have made firm commitments not to impose surcharges this year. "We planned ahead to enable us to guarantee no surcharges until the end of April next year," says Charles Newbold, managing director of Thomson Holidays, Britain's biggest tour operator. But some holidaymakers have already been told by their tour operator that they will have to pay extra on the holiday price agreed at the time of booking - and many more will be notified in the next few weeks. Some 19 tour operators have asked permission from their trade association, the Association of British Travel Agents, to impose surcharges this summer. Trade estimates suggest that at least another 50 could do so within the next few weeks. Most of the operators imposing surcharges at this stage of the holiday season are long-haul specialist travel companies such as Speedbird and Knool. Surcharges imposed are understood to be up to 8 per cent of the price of the holiday which, because of the higher cost of long-haul, are proving quite expensive. Some reports suggest surcharges of up to 200 per cent have been levied. The re-emergence of surcharges this summer is another blow to the credibility of Britain's package tour industry. Last summer surcharges, airport chaos, and falling standards of some packages led to a general disenchantment among consumers with traditional holidays in the sun. Bookings this summer are subsequently 10 per cent down on last year's levels. This year the travel industry has seemingly learnt little from the public relations blunders of the past. Scant explanation has been forthcoming from the trade.

as to why surcharges have suddenly been imposed, apparently just when the US dollar has gained in strength in comparison with sterling. In fact, the surcharges now being levied are a result of oil price rises earlier this year which have filtered through to aviation fuel prices. Airlines have been quick to pass these rises on to four operators. The strengthening of the dollar in recent weeks, moreover, has exacerbated this trend, not only because aviation fuel is generally priced in dollars but also because other costs, such as hotel accommodation, become more expensive. Tour operators, however, are restrained from just passing on all extra charges to their customers. The Europe over surcharges last summer prompted the intervention of the Office of Fair Trading which investigated the surcharge process. To forestall any formal Government regulation on the travel industry, ABTA agreed a new auditing process for surcharges to validate their authenticity. ABTA members also agreed to absorb the first 2 per cent of any surcharge and, if the surcharge reached 10 per cent of the cost of the holiday or more, then customers could cancel the holiday without any penalty payment. Many of the large tour operators sought to guard against having to surcharge at all this year by buying dollars on the forward exchange market. In addition, package holiday prices were increased by about 4 per cent on average this year to increase tour operators' profit margins and as a cushion against rising costs. The size of the surcharges coming down from the airlines, however, have been larger than most travel companies expected. Those operators with no surcharge guarantees will certainly find profit margins eroded. Before the summer is out many more holidaymakers will have the edge taken off their holiday plans by having to pay more before they go.

David Churchill

Monsieur Hulot is alive and well

Geoffrey Weston revisits Brittany and insists on guarding one of its secrets

THE OVERNIGHT train from Paris rattled to a halt in Vannes just after dawn. Our luggage - six large suitcases, three bicycles and an aged, collapsible bedstead of immense weight - was strapped to the roof of the 50-minute journey through a string of Breton villages. From the little town of Sarzeau the lane wound on through the hamlet of Arzon (where I first learned to ride on one of the bicycles) and ended at a fishing village called Port Navalo. It was the scintillating summer of 1982. Last September I went back this time by car via St Malo. Sarzeau looked much the same, but the lane to Arzon, now a quiet new town, has become a stretch of dual carriageway. Port Navalo has gone upmarket with a discrete grove of holiday homes in their own gardens, though the little Hotel de la Plage was exactly as I remembered it - a faded set-piece from Monsieur Hulot's Holiday. I even found the tatty little cottage where I spent five weeks with Madame and her small son to improve my French. It looked almost the same, as was the handsome village pump near by - our only source of water - and the stone-walled fish market, where at night the accordians came out and we danced the pazo doble with the local crumpe. Brittany has changed remarkably little over the years. There are no motorways, and just one busy main road skirts the coast all round the peninsula. Away from it, even though we had only just escaped the main holiday season, traffic was very light and for long stretches almost non-existent. On the other hand, bright new industrial estates on the edges of towns are strong enough evidence that Brittany has, after centuries, thrown off its image as wild, neglected and backward place. Thirty this century the only fashionable resorts were Dinard, beautifully sited on the north coast but now a staid old lady, and La Baule in the south, which, despite some trendy and magnificent sandy beach, has slipped downmarket.

To have ventured further into the province's heartland was, I suspect, long regarded as an infra dig for civilised people, but today the priorities are reversed. The once sleepy walled centre of Vannes is now pedestrianised, and many of its well manicured half-timbered buildings house chic boutiques, offering everything from gourmet food to designer toothbrushes. I had a fleeting memory of the 18-year-old maid who had cleaned the cottage years ago. Her teeth were falling out: she had never heard of toothpaste. Nearby Auray has a smaller historic core, more picturesque sited on a river of the same name. Both towns are starting points for boat excursions around the fascinating inland sea known as the Gulf of Morbihan, with its outlet at Port Navalo. I first explored it at night with two lobster fishermen. Now you can take a sylvatic cruise and dine off a gastronomic menu as you gaze through panoramic windows. Most travellers venturing as far as Finistère feel bound to visit the Pointe du Raz - France's Land's End, and almost a carbon copy of it in visual terms. It is worth the trip, not least because it is likely to take you via Quimper, my favourite Breton town and the nearest thing to a provincial capital. Quimper has a fine medieval walled centre with much crooked half-timbering, good shops and a Breton falence (decorated earthenware) factory. It was once the capital of a confusingly named Cornouaille, an ancient kingdom covering much of ancient Brittany and founded by King Gradion. The equestrian statue of the king, perched giddily between the fine Gothic spires of the cathedral, was the focal point of a great annual festival in his honour. A man would climb up the cathedral behind the king's statue, tie a napkin round the king's neck and offer him a glass of wine. He would then down the glass himself, wipe the king's lips with the napkin and hurl the glass into the square below. Anyone who caught the glass intact could claim a prize of 100 gold coins, but few have money and the council is said to have made sure that the stem of the glass



Rue Guedot in Quimper which has a fine, medieval, walled centre

was partly sawn through. Sadly, this jollity ended in the 18th century. Quimper, although not on the sea, is a good touring centre. Just to the south is Bénodet, a small, sheltered sandy resort and one of the most appealing in Brittany. Northwards is Locronan, a tiny Clivalish today, though its once prosperous sailcloth industry

has left a rich legacy of Renaissance houses, many of which are now craft shops and restaurants. South east is Concarneau, a busy fishing port with a picturesque walled islet in its harbour. Apart from the old towns, memories of Brittany tend to dwell on the beauty of its deeply broken coastline, which inevitably evokes Cornwall.

Inland, the countryside and villages compare, in my view, less favourably with England's south west. The thatched roofs of many of the cottages remain uncombed, as though they have just got out of bed after a heavy night out. But the granite churches, and particularly the unusual richness of their carved carvings outside, are still justifiably the pride of

many villages, while a touch of the old wildness can still be found in nature reserves such as Parc d'Armorique, a vast area of natural beauty. Gastronomically, Brittany is a different story to Cornwall. Oysters, crustaceans and both sea and river fish are among the best and freshest anywhere. You can hardly take five paces in a Breton town without finding a crêperie. As well as serving sweet pancakes, crêperies serve very thin savoury ones made with buckwheat flour and a delicious choice of fillings. By a stroke of luck we stumbled across Brittany's leading cider-maker in a lane on the edge of La Forêt Pousseant and carried off the very last bottles of his harvest. As for restaurants, La Belle Époque in Châteaulin - elegant and almost empty on our visit - has, amazingly, not yet won an entry in the usual guides. I shall not forget the menu at FFR65 (€6.50), which included a delicate marbled terrine of rabbit with chestnuts and wonderful vegetables, such as courgettes peeled into spaghetti strips, sautéed and then tossed in a sherry-based dressing, as well as an inspired mousse of carrot and beetroot. In our last days we spoilt ourselves with a stay at the sumptuous Château de Languérol, idyllically placed in its own wooded park sloping down to a river. It has one of the best restaurants in Brittany with a menu of gloriously roccoco fantasies, impossible to do justice to here. It was one of those rare establishments that proved impossible to fault. Two establishments of similar character, although not quite in the same class, are the peaceful Manoir de Moellien, near Locronan, and the Château de Coquehan, a turreted gem near Falmes, convenient for the Roscoff-Plymouth ferry. For me, the most appealing part of Brittany unfolded a few hours before our return to England. The remote stretches of the Coast of Rose Granite, largely deserted despite beaches of fine clean sand, have a rare beauty of their own. For the moment, the little hotel in the perfect spot that we found there is going to remain my secret.

HOLIDAYS AND TRAVEL

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TRAVEL/MOTORING

ONLY ONE thing was a touch tender after cycling 440 miles through the Colorado Rockies.

Returning home tanned and still smiling, my wife Lynn and I couldn't work out why no one was envious.

Perhaps they confused us with true lonies: riders in the annual Race Across America who streaked past us at the top of Berthoud Pass.

We stopped on top for an hour or so to bask in the sun amid snow-spangled peaks.

We though, were strictly tourists. Manhattan escapeses intent on savouring the alpine air and scenery.

The passes are no rollers, though, and we climbed about 18,000 ft on our tour.

We had not always been as confident as we were at Berthoud Pass. The idea of the trip seemed wonderful from an armchair during a Manhattan winter.

Breakdowns were speedily repaired by mechanics from Denver cycle shops who charged only for parts, not labour.

Travel Hit the saddle and head for the hills

Rod Oram and his wife go cycling through the Colorado Rockies



"THIS IS NORMAN NOT COPING WITH THE ALTITUDE."

valleys and green pastured parks. But could we really cycle for hours on end at hot, dry, high altitude?

Of course we could, said our Colorado friends Kathy and Steve Miller. They invited us to join them - and some 2,000 other cyclists - on the Denver Post's third annual Ride the Rockies tour.

Breakdowns were speedily repaired by mechanics from Denver cycle shops who charged only for parts, not labour.

Food and lodging were extra but could cost very little. Each night the tour pulled into a new town, taking over the local high school. Riders could camp free indoors in the gym or outdoors on the football field.

Small towns we stayed in, such as Craig, Steamboat Springs, Frisco, Granby and Idaho Springs, were immensely hospitable.

Only Vail, the magnificent but self-important ski resort, could not have cared less. Things turned nasty when the police tried to enforce the town's laws against drinking outdoors.

5,500 ft to the town of Golden. Barely pedaling those final 30 miles, we felt like Tour de France heroes as we swept across the finish line to the cheers of hundreds of spectators.

So we lived to tell the tale. Obviously, being fairly fit and well equipped were essential. Our bikes were medium-priced light-weight touring models.

Our short daily rides around New York contributed little to our fitness. Our main preparation came in 10 or so 50-mile days in hilly countryside nearby in the previous six weeks.

The five-speed manual 164 is a lean drive but for me the 164 automatic which has just been added to the range is better.

Has the automatic transmission curbed the manual model's tendency to spin its front wheels under hard acceleration in first and second gear on wet roads? I cannot be sure.

From a standstill to whatever speed one's conscience allowed, the automatic 164's power flowed as smoothly as double cream pouring on to toast.

Ms Deborah Mile, director of public relations, Colorado Department of Tourism, Suite 1706, 1625 Broadway, Denver, CO 80202.

Motoring Alfa's automatic success

Stuart Marshall reports on a batch of new 'company car' models

THE ITALIANS don't like automatic transmission very much. It's all to do with the male driver's macho image.

There is a similar feeling in Britain, at the Ford XR3i and Golf GTI level at any rate, but when it comes to executive cars, the automatic rules.

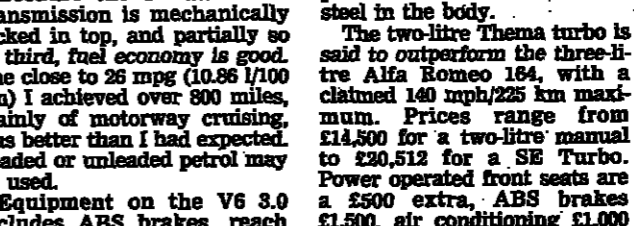
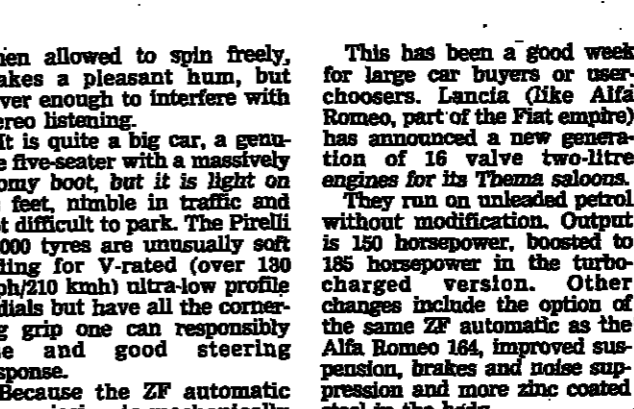
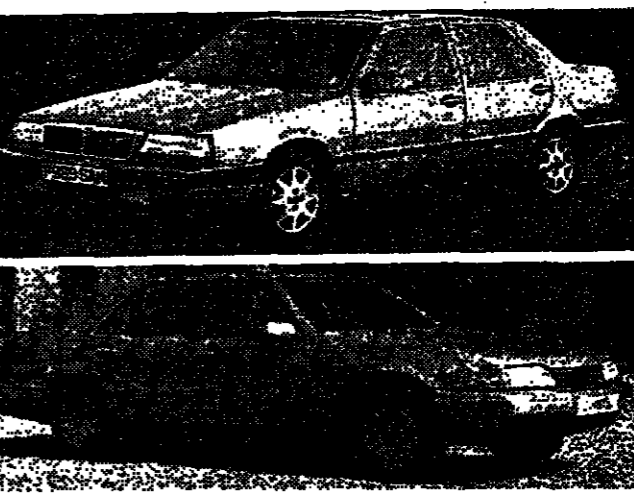
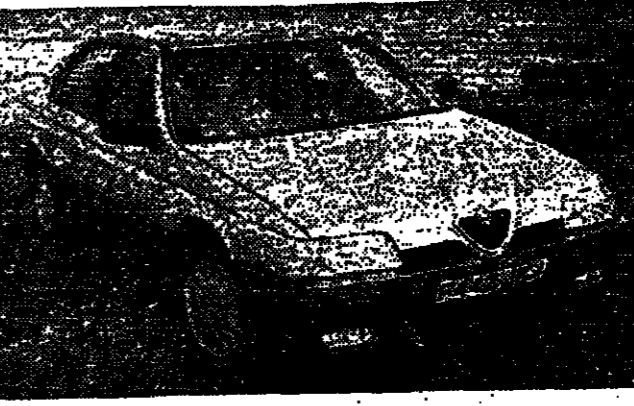
Alfa Romeo (GB) reckons that, in a full year, at least 60 per cent of the Type 164 saloons it will sell to the company car market in Britain will have two pedals, not three.

Alfa Romeo has just been added to the range is better. Its 165 horsepower, fuel injected, electronically managed three-litre V6 engine and the German ZF four-speed automatic gearbox could have been made for one another.

From a standstill to whatever speed one's conscience allowed, the automatic 164's power flowed as smoothly as double cream pouring on to toast.

Equipment on the V6 3.0 includes ABS brakes, reach and adjustable steering, power operated front seats, door mirrors and windows and a six-speaker stereo.

Today, the 164 must appeal to the business motorist who has never contemplated an Alfa Romeo before.



Left, the Alfa Romeo 164, complete with 125 horsepower, fuel injected, electronically managed three-litre V6 engine.

Which is the more luxurious of the two? Not long ago I would have had no doubt. Now all I can say is: "Pass."

Prices start at a quite remarkably competitive £24,999 for a manual 1.8 litre and peak at £33,697, which buys the top of the range 2.4 litre automatic.

Clutch and gearshift were effortless, the power-assisted steering almost too light, because the Sonata was inclined to 'dig in' a strong motorway crosswind.

MOTOR CARS

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GUY SALMON JAGUAR

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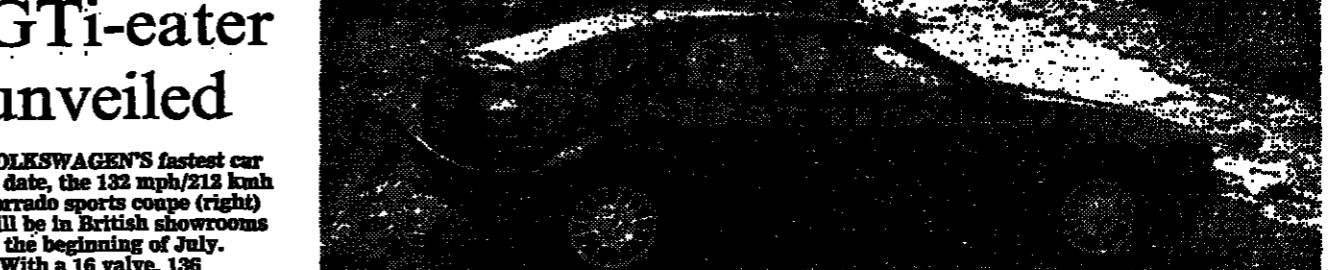
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GTi-eater unveiled

VOLKSWAGEN'S fastest car to date, the 132 mph/212 kmh Corrado sports coupe (right) will be in British showrooms at the beginning of July.

With a 16 valve, 136 horsepower 1.8 litre engine it will cost £16,699. It is much the same mechanically as a Golf GTI 16V and may appeal to users who find the GTI's usage is not what it used to be because it has simply become too popular.



July with left-hand drive at £19,338 for buyers who cannot wait for the right-hand drive one here next week.

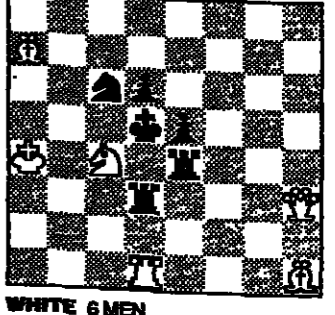
Chess

ONE OF THE ultimate achievements for any leading British chess player is a victory over a reigning world champion. Despite our successes in the candidates eliminations and the biennial olympics, such individual tournament wins remain exceptionally rare.

Barriers to success are partly lack of opportunities, but are mainly technical and psychological. Some world champions, notably Capablanca, Karpov and Kasparov, have very low percentages of defeats.

White has played nervously while Black has built up his king's side forces; now comes the blunder after which Lasker is lucky to survive another 20 moves.

White mates in two moves, against any defence by J.M. Rice and M. Lipton, Problem 1987. The Black forces are arrayed in the form of a provocative question mark, and on previous publications, many readers phoned or wrote to claim an error in the answer.



WHITE 6 MEN WHITE mates in two moves, against any defence by J.M. Rice and M. Lipton, Problem 1987.

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Joseph Blackburne, the most prominent British player a century ago, was notably successful in terms of individual tournament wins against the elite of his time. He beat Lasker

Solution page XXV Leonard Barden

DIVERSIONS

Gardening Summer with spring in its step

Arthur Hellyer thinks this crazy season is fun

I CANNOT recall a year when plants in the southern half of Britain have been so far ahead of normal calendar expectations.

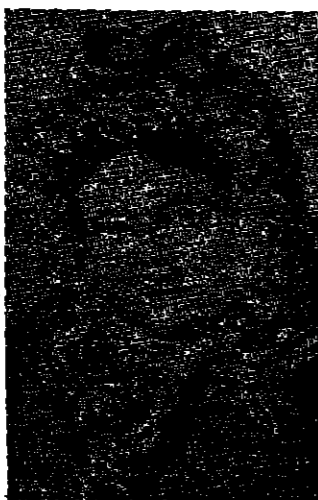


good basal leaves there may be. One must hit the method to suit the growth pattern of the plant.

I think that a lot of nearby hardy plants are going to have a good time this year. Certainly, my fuchsias have rarely been more promising.

Wild simplicity with a poetry of its own Robin Lane Fox on the refreshing naturalism of Dorothy Wordsworth's approach to the garden

"JUNE 3: the oak copes are brown, as if in autumn, with these late frosts. The ashes are coming into full leaf, some of them injured."



Dorothy Wordsworth "one of us" with her plant swaps

contained any flowers at all which had not been for the taking. Once, she mentions collecting sunflowers, which probably came from a village garden.

as a bird's nest." Two weeks ago I had a similar bud, although Dorothy did not have the pale cream-yellow honeysuckle Graham Thomas which reached the market two years ago and is worth the price for its unusually sweet scent.

There was a fall of black gnats. A steady trickle of these tasty morsels was washing downstream, and snouts were appearing to intercept them.

Fishing

Going nuts in May

Tom Fort has an inauspicious start to the season

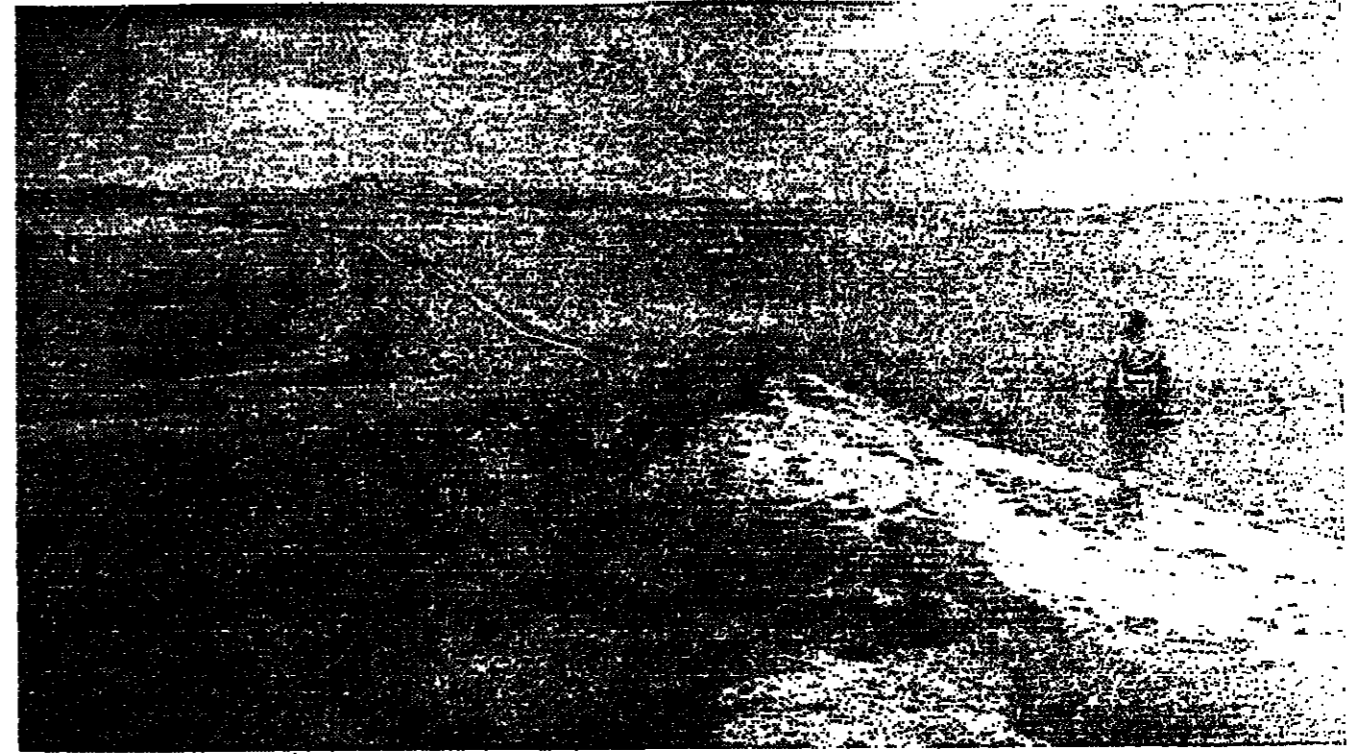
THE MERRY month of May, some call it. For me, it was anything but. A catalogue of angling misfortune - some deserved, some not - would be nearer the mark.

My next visit began atrociously. I found I had left my scissors behind and had to carry out all the fiddly snipping of nylon with a large knife.

Bridge

IN THE FIRST hand from rubber bridge, North and South bid very well:

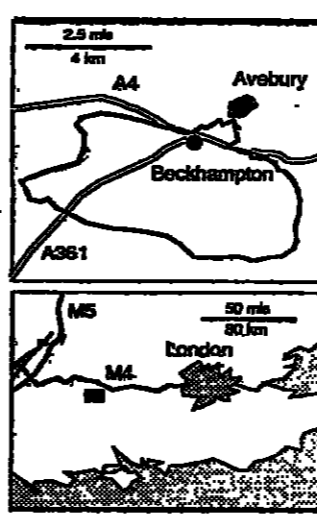
With neither side vulnerable, North, who was playing a weak no-trump, dealt and opened with one heart. South replied with one spade and North said two no-trumps.



The Wansdyke: an ancient route through the Wiltshire wilderness

Walks through history Around the magic circle

Peter Gillman on a journey through the semi-natural



now for much of its length an Official Long Distance Footpath.

I must admit to a prejudice against official footpaths: compared with the satisfaction of plotting and navigating your own route, they seem too easy and prescribed.

Passing yet another sarsen half-hidden in a hedgerow, we pushed up a steep incline that constituted the northern slope of the Wiltshire downs.

On the far side the Wansdyke was overgrown in places with brambles, making it far less easy to follow. But we stuck to our task and reached its intersection with the third great highway of the day, the old Roman Road from London to Bath.

One last site awaited us, the Chertill White Horse, a stolid figure carved in 1730 by removing turf and laying bare the chalk. We were beginning to feel sated with history when, right on cue, a shaft of sunlight cut through the clouds to accentuate the drama of the horse's stance.

Bridge

West started off with the diamond ace and, seeing the queen in dummy, switched to the five of spades.

The declarer needs three tricks in the heart suit to fulfil his contract. Many players would cash the ace and then fumble the hand, but this is not the right line to adopt.

Fishing

Going nuts in May

Tom Fort has an inauspicious start to the season

contrariness of the currents makes presenting the fly a tricky business. I was congratulating myself on my success in so doing when there was a confident rise.

My next visit began atrociously. I found I had left my scissors behind and had to carry out all the fiddly snipping of nylon with a large knife.

Fishing

Going nuts in May

Tom Fort has an inauspicious start to the season

appearance and all signs of life stopped. The keeper told me wearily that the water authority people were at it again upstream.

True, I began by dropping a full, open packet of cigarettes into the river. However, by means of a desperate leap into the water I retrieved them and then dried them in the sun.

Fishing

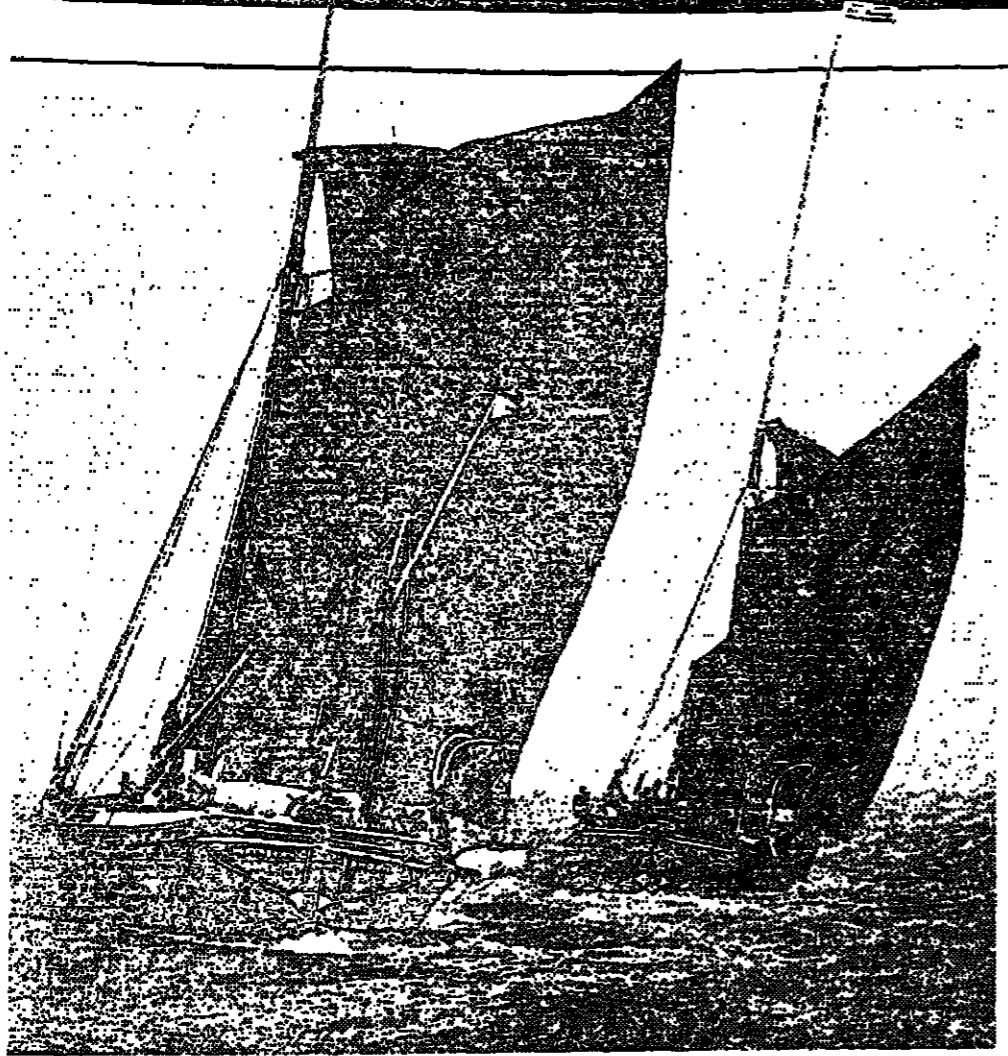
Going nuts in May

Tom Fort has an inauspicious start to the season

South made ace and king and played his diamond ace. I jettisoned my king in order to avoid the endplay and, when the declarer led another diamond, my partner won - le roi est mort, vive la reine - and led back the 10 of hearts.

South deserved to go down in view of his terrible bidding, and justice was served further when we won the rubber.

To advertise on the Arts & Diversions pages please ring either Julia Carrick - 873 3176 Alison Nunn - 873 3168 Jane Emma Peerless - 873 3185 E. P. C. Cotter



Gentle giants . . . Thames barges under sail

A love affair with red sails in the sunset

Ivor Williams on the allure of Thames barges

SLICING through Britain's coastal waters and estuaries in a modern yacht is an exciting way for many of battling the marine elements. Crewing a 100-year-old Thames sailing barge - particularly in a race - is the prerogative of only a few.

Those involved claim that sailing one of these vessels, which can be 90ft long and weigh more than 70 tons gross, requires a pride and dedication not matched by ordinary yachtsmen. Thus it is not surprising that, even among the sailing fraternity, barge crews and owners feel themselves a breed apart.

The annual races (or matches) around the east and south coasts of Britain are testimony to the genre's enduring qualities. Up to 15 Thames barges and their crews will set sail in today's Blackwater match from Hythe Quay at Maldon, Essex. The event has been supported by the Essex Heritage Year 1989 Committee, set up to promote the area's cultural legacy.

The idea of matches caught on around the turn of the century when the barges and their crews were lying idle waiting for cargoes to carry to London. From the mid-19th century, Thames barges - on sister vessels such as the Humber keel and Norfolk wherry - played a crucial part in the social and industrial development of coastal and river communities, bringing food to outlying areas and delivering raw materials such as gravel, coal and bricks to industry.

The red-sailed barges were built to be crewed by three people but could be handled by two if needed. This was due to the spritsail rig, of which only one, which has a spar running diagonally across the mainsail so it can be kept aloft permanently. The foresail is attached to a rail and requires little attention once hoisted. One man could reduce the miszen (aft) and mainsails, and some barges had a winch to help set the topsail.

The barges' flexibility in shallow waters ensured their commercial popularity until the 1860s, by which time most had been fitted with engines. However, the *Cambridge*, which now resides in the Maritime Trust's collection of historic ships at St Katherine's Dock, London, was carrying cargo under sail until 1970.

Most sailing barges are now owned by companies, clubs or partnerships. Tate & Lyle, the sugar refiner and distributor, owns the *May* which, appropriately, is berthed at Sugar Quay on the Thames. "She is used for entertaining staff and customers," said Terry Paul, who is responsible for the *May's* administration. "We sail mainly on the Thames, Orwell and Solent. Our most recent voyage was in the Medway sailing barge match on May 27."

Apart from the expense of employing a full-time skipper and a contract mate for the summer, maintenance charges can be steep for this 60-ton vessel. Tate & Lyle has owned for the past 20 of her 98 years. "The *May's* annual winter refit can cost anything from £10,000 to £25,000," said Paul. "She is insured for £125,000 although, if we ever sold her, we would hope to get considerably more than that." Tate & Lyle is apparently not considering this option.

Surprisingly, insurance costs are not the daunting prospect you might expect, but premiums vary enormously depending on the value and condition of the craft. Peter Northfield, a Lloyds underwriter, says the claims record for sailing barges is "below the marine average" with no total losses recorded. However, £70,000 was paid out in 1979 after a rigger fell from a barge and drowned.

Other incidents are more comic than tragic. In the 1982 Blackwater match, the *Dawn* hoisted a small yacht on to her bowsprit and carried it along for a considerable distance. In

last year's match, the *Vigilante* was struck by lightning in a storm and had to retire with her electric knocked out.

A few enterprising individuals have taken the plunge and bought barges, planning to refurbish them completely. Mike Connell, an art and handicrafts teacher from Harlow in Essex, acquired the *Beatrice Maudslayi*, a relay-year-old masted barge, for £2,500 in 1970. He then fitted her out with all modern conveniences and sailing rig. She now boasts 10 rooms, of which five are cabins, a fully-fitted galley and lavatory.

The *Beatrice Maudslayi* won fame in the Second World War. "She was one of several barges in the flotilla which evacuated Allied troops from Dunkirk," said Connell. Among those rescued was a certain French officer, Lieutenant Heron, who was so grateful for his escape that he named his two daughters after the barge.

Owning and maintaining a barge is practically a full-time job and not for the faint-hearted. A relay-year-old Connell finally sold his barge for £22,500 after, as he puts it, "10 years' enjoyable hard labour."

These gentle giants of yesterday may have outlived their commercial viability under sail. But with such a dedicated following, they look sure to grace Britain's waterways for a long time.

The barges head out of Hythe Quay from 6am today. The match starts at 8.15am from Maldon. The barges will be in the water and finishes at 3pm. The vessels are due to arrive back at the quay between 4.45 and 6pm, with the prize-giving starting at 7.30pm. Celebrations and commissions start rather earlier in the waterside taverns.

Other sailing barge matches take place at Pin Mill, on the River Orwell in Suffolk, on June 24; on the Swale, in Kent, on August 12 (barges and old gaffers); and at Southend on August 26.

DIVERSIONS

Politics and the Other Woman

Christian Tyler meets Barbara Castle, now 78 but still saving souls for socialism

OUTSIDE the butcher's shop in Barking, east London, a small figure under a red umbrella is buttonholing passers-by. "Now, don't forget to vote on June 15. It's your weapon against That Woman."

The Other Woman of British politics, flame-haired doyenne of the Labour Party, scholar-ship girl, Cabinet Minister, Privy Councillor and European MP is out doing what she does best: saving souls for socialism.

Barbara Castle is 78 and on the brink of retirement after more than 50 years in public life. But she cannot give up. She is gathering in the vote for Thursday's Euro-elections, when she hopes the people of Britain will deliver a symbolic vote to Margaret Thatcher's counter-revolution.

"People are funny," she said, as she sipped a coffee in the local McDonald's. "They say: 'I thought she was finished', or 'see, you look younger than on telly'. You are wearing well. But the past year has been a bit of a wash-out. When I was a minister I was 'the ageing Barbara Castle', but my older colleagues were always 'veteran'."

The veteran Mrs Castle (she never uses the 'Lady' which her title card's secretary never on her) may be physically diminished by age. But she is as acerbic, articulate and energetic as ever. After watching her canvass all day, Abdul, the mini-car driver, observed: "She is very strong, that lady. Stronger than Mrs Thatcher, I think."

She still dresses to kill in satin bows and peep-toe shoes, still flirts shamelessly with the camera. And she still flashes that sudden, mischievous smile which she says she cannot believe or like what I'm saying, but just you dare contradict me. There is nothing grand about Barbara Castle. She hands round the biscuits at public functions and fusses about finding time to wash her hands. You may call her Barbara.

The woman who gave Britain the Breathalyzer, the motorway speed limit, the state earnings-related pension scheme, child benefit and the Humber Bridge says that her ambition was satisfied by a seat in Parliament (she represented Blackburn for 34 years); that reaching the Cabinet was "like a dream"; but that she never aspired to the premiership.

Yet it is tempting to portray

Barbara Castle as the socialist mirror-image of Britain's first woman prime minister, the person of whom she wrote in 1976: "That lass deserves to win." While abhorring Thatcher's policies she has confessed admiration for her clarity of conviction and nerve.

There were two vital characteristics in any successful politician, Mrs Castle said this week. One was the courage to be unpopular, a quality she and Margaret Thatcher share. "It should not be a piece of masochism, but a willingness to face the facts. However, the other was a capacity for self-doubt. 'The whole fascination of politics to me is striking a balance between digging my heels in, getting my head down and the next minute saying 'Now hold on, hold on. Are you just being obtuse? Are you just being pigheaded?' To find the balance between courage and flexibility is the joy of politics, the challenge of politics. That is where she falls totally."

There is a superficial resemblance in the attitude to the European Community: a shared suspicion of economic and monetary union and a blunt rejection of federalism. Mrs Castle jibbed at the comparison. "She believes in the free market principle and I don't," she said. "I have always argued that the move to a single market was wrong in the terms in which it was proposed, in obedience to a philosophy which says the larger the market, the better the prosperity. All our history proves that is wrong and the free market principle, uncontrolled and untamed, can bring havoc as well as prosperity."

But are they not both jealous of British sovereignty? "The British people are not in favour of national sovereignty by the backdoor on the economic front, and of course the more she privatises the more she is surrendering. You look at water. At present it's a nationalised industry. It's a nationalised industry. What do you mean by Europe? Do you include the Poles, or the Czechs? There is something so unambiguous about this sort of our great culture and traditions and all the rest of it when the unions from which its subsequent electoral weakness sprang. Mrs Castle does not regard the SDP breakaway as particularly important and claims now to have foreseen its demise. Dr David Owen was her deputy at Social Services in the mid-1970s. Even before he left Labour, she said, she



Barbara Castle: flame-haired doyenne of the Labour Party

had described him as an excellent second-in-command lacking the political judgment to be Number One. "He was in some ways so weak, which his air of arrogance and certainty sometimes disguises."

What does she think of Labour's new policy fragrance? "It's easy to like, but I don't know how else you do it. I think the 'Labour Listens' campaign wasn't a success. But there has been some hard thinking and working going on."

She does not under-estimate Labour's task. Britain's social conscience, she said, had been emasculated and its democratic vitality sapped by the counter-revolution. "I think the prime job of a Labour government is to haul this country back on to the road to a broad, social, civilised consensus - for example to reawaken the social conscience about poverty."

"The hard indifference to poverty in this country is something absolutely new in my experience. People have been encouraged by Mrs Thatcher to accept indifference as a virtue. Don't be afraid of being rich, it's all part of Christianity to get rich first and then you might think about the poor afterwards. No, she has just stood everything on its head, including Christianity. No wonder the churches are going up the wall."

Of course, she's got the advantage of playing with the grain of people's selfishness, their greediness, their ability to justify their own worst instincts. But a lot of people in this country are realising that they are socialists without having known it."

Mrs Castle recognised her own socialism long ago, imbibing much from her father Frank Betts, a tax inspector, as the family moved with his job around Yorkshire. She remembers him saying when she was discussing a career: "Well, if you're more interested in hitting me, I'm not interested in you." Castle still believes that the world is divided into two classes of people: the majority who work to make money, and the minority who make money work for them.

Her father died young, but her mother Annie lived to be 95. So Barbara Castle, the no-holds-barred diarist, can expect a good few years yet with her portable Olivetti typewriter in which to write the threatened memoirs. Eurocrats and Euro-politicians, you have been warned.

is books published in the early years of printing before 1600, including a complete edition for £21,000. There are examples of English colour plate books concerned with hunting and horses which are always in demand. A curious volume of poems about golf, privately printed in Edinburgh in 1877, is priced at £1,800. A collection of 400 Oscar Wilde books and programmes is open to offers.

For those whose mania reaches to the 1960s, dealer Alan Rasmussen has a copy of Bob Dylan's *Tarantula* personally inscribed by the author to John Lennon and Yoko Ono although he has misspelled her name. A snip at £3,500.

Book fair weather

William St Clair on the multitude of events this year

THIS MONTH the antiquarian book trade will see more book fairs than ever and they are spread over weeks rather than days. The fairs vary greatly in the type of book on offer and their names are of little help as a guide. On the whole the most confusing books are to be found on the second week, but nearly all the fairs claim a wide price range.

The new arrangements ought to be more comfortable for visitors. Collectors will not need to rush around the fairs impatient to see as much as possible before charging to the next venue where the grass may be greener. But neither will the dealers. Since about half of the transactions are with the trade, you may be impatiently declined at the beginning of the round is offered the following week at twice the price.

By far the biggest fair is the Private Bookellers' Fair Association (PBFA) Book Week which is held in the Russell

Hotel in Russell Square, Bloomsbury, London WC1, not far from the British Museum. To cope with the numbers of dealers who wish to exhibit - about 250 - the organisers have split the fair into two.

The first group will display on Monday, Tuesday, and Wednesday. There will then be a complete change of exhibitors and stock for Thursday, Friday, and Saturday. Some 85,000 books will be on sale, average price £50 but with a wide range on either side. Entrance is free as is the excellent catalogue which includes a calendar of all the PBFA fairs to be held in towns outside London for the rest of this year.

At the weekend, the Bonington, held in the hotel of the same name in Southampton Row, consists mainly

of part-time dealers displaying old books at cheap prices. Entrance is free as is the excellent catalogue which includes a calendar of all the PBFA fairs to be held in towns outside London for the rest of this year.

The most international event is the Thirtieth Antiquarian Bookellers Association which brings together about 100 dealers from the UK, Europe, and North America displaying some 30,000 books. It is held in the London's Park Lane Hotel which is not in Park Lane but in Piccadilly some way round the corner. Admission costs £5 which includes the price of the catalogue. The opening ceremony is to be performed by Lord Jenkins of Hillhead.

Among the items on sale are a number of incunabula, that

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Catalogue: £3.50 including postage

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High Street Wine

Tesco aims to top its rivals

TESCO, with a list of about 400 wines, has been aiming to emulate its supermarket rivals, Sainsbury and Waitrose, and is now extending further its list. At a recent tasting I concentrated on the new wines available or to be launched very shortly. Of these I picked out the following:

White:

Beaujolais Blanc, Les Caves de Bully 1988 (£3.99). Having mostly become St Veran, these days Beaujolais Blanc is not all that common. Not a very distinguished wine, but this one is light in colour, has an attractive nose and sufficient body.

St Romain, Barolet 1987 (£5.49). This white burgundy is part of the Hautes-Cotes de Beaune, in a variable vintage, it is somewhat over-oxidized, but is fruity and in burgundy terms good value.

Pinao, Grigio, Grave del Friuli, La Pierre, N.V. (£3.30). A fresh, slightly sweet, easy-to-drink summer wine.

Moscato d'Asti, Gallo d'Or, Cidia Calamandran N.V. (£3.19). Asti's second wine, this is very sweet and typical. Will match any summer sweet, and one glass per head is probably sufficient.

Scharzhofberger Riesling, QBA, Van Volck 1987 (£2.99). Germany currently provides some of the best value in class wines. This Mosel has a real Riesling bouquet, is fruity and elegant. An attractive aperitif.

Tesco Australian Semillon

Red:

Ch. Pigoulet, Coteaux d'Aix en Provence, 1985 (£2.79). Surprisingly enough this Provençal wine is 100 per cent Cabernet-Sauvignon. It has a huge colour, not a lot of nose, on the tough side, but a mouthful of wine and excellent value.

Chateau-neuf-du-Pape, Les Arnevels, J.R. Quoit 1986 (5.50). Not as much colour as expected from a Chateau-neuf, but well-developed, with a touch of sweetness, though lacking the usually firm end of these wines. Easy drinking.

Chianti Rufina, Selvapiana 1986 (£3.49). Very light colour, fair nose and some tannin, but ready for drinking.

Villa Paola Montepulciano d'Abruzzi, Tollo, 1985 (£3.39). This has no connection with the *vine nobile* of Tuscany but is a strong 13° southern Italian wine of very big colour, fruity nose, assertive flavour and a

High Street Wine

Tesco aims to top its rivals

Valley, 1987 (£3.99). With very good colour, rich flavour and plenty of flavour, and some tannin, is worth keeping for a year or so.

Limestone Ridge Concourra Shiraz Cabernet, Lindemans, 1985 (£12.99). The price looks steep, but this is a wine of real class, medium in colour, with a nose that comes out of the glass and a rich, concentrated flavour. An experience to drink.

The Rogue Cellar Chardonnay, Washington, 1986 (£7.99). Washington State is a new source of Chardonnay. Still somewhat oak, but has a lot of flavour and Chardonnay character.

Belvedere Discovery Series Red Table Wine, 1983, Sonoma County 1983 (£3.29). With an agreeable bouquet, this is a soft, easy to drink California red. Good value.

ED Pinot Noir, Napa Valley, 1984 (£4.49). The initials are the name of the winery, and this is a successful, distinguished Pinot Noir, with a fine nose, and full-bodied fruity flavour.

Pavillon Rouge du Chateau Margaux 1985 (£13.99). Every aspiring supermarket has Pavillon Rouge, and this is not quite new to Tesco. The colour is medium, the nose very fine but, understandably, the flavour still retains some hardness. Worth buying to keep for at least two or three years.

Edmund Penning-Rowell

Antiquarian Book Fairs in London, June 1989

Event	Dates	Time	Location	Admission
PBFA	Monday 12th	9-7	Hotel Russell	Free
Fair One	Tuesday 13th	10:30-7		
	Wednesday 14th	10:30-7		
PBFA	Thursday 15th	9-7	Hotel Russell	Free
Fair Two	Friday 16th	10:30-7		
	Saturday 17th	10:30-7		
Bonnington	Saturday 17th	11-7	Bonnington Hotel	Free
	Sunday 18th	10-7		
National	Sunday 18th	11-7	Royal National Hotel	Free
	Monday 19th	10-7		
	Tuesday 20th	10-7		
London	Monday 19th	9:30-7	Bonnington Hotel	Free
	Tuesday 20th	9:30-7		
Annual International	Monday 19th	9-8	Cafe Royal	£5
	Tuesday 20th	10-8		
	Wednesday 21st	10-5		£1
ASA	Tuesday 20th	11-8	Park Lane Hotel	£5
Antiquarian	Wednesday 21st	11-8		£5
	Thursday 22nd	11-6		£5

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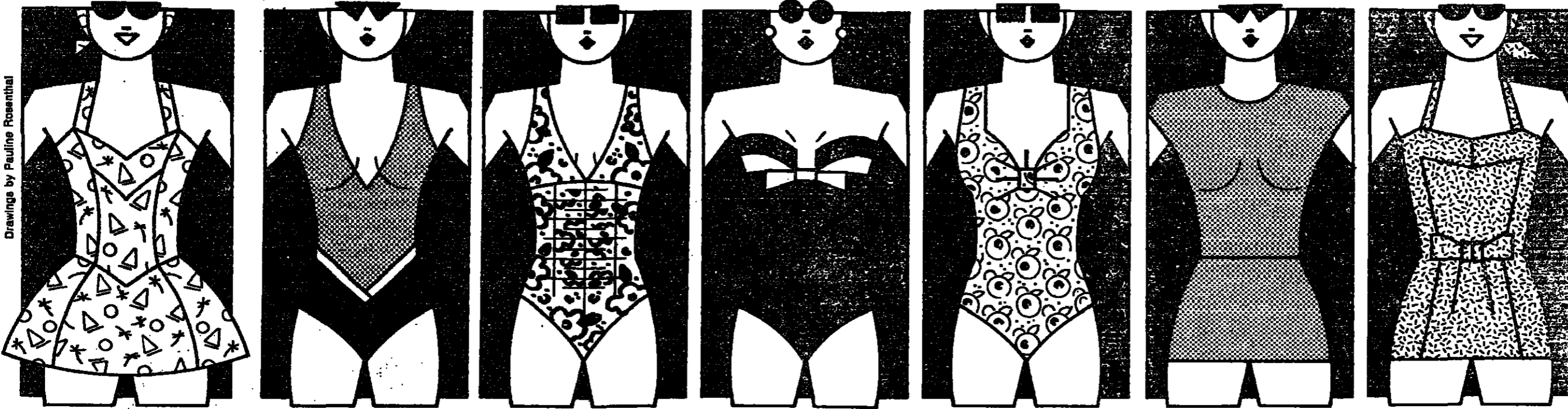
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HOW TO SPEND IT

Do all eyes turn for the wrong reasons when you strip for the beach? Fear not. Lucinda de la Rue finds costumes to cover one in confidence



1 A 50s swimsuit to cover large hips and dimply legs 2 Lycra swimsuit to disguise a large bosom 3 A ruffled front hides a flabby stomach 4 Padded swimsuit to add curves in the right places 5 A floral swimsuit from M&S, with added support 6 The mini-skirt look to cover a plump rear 7 Original 50s swimsuit to hide an overlarge tummy

IS THERE anybody who feels totally confident in a swimsuit? Jerry Hall, maybe. Marie Helvin perhaps. The rest of us venture out, pallid after a winter under wraps, not daring to turn even the mildest shade of biscuit for fear of melonose and making mental notes never again to holiday south of the Lake District. At first sight, this year's swimsuits look more daunting than ever. The fashionable outfit with which to broach the water seems to feature great slashes from breast to navel (not the most becoming of styles for most of us) and cutaway thighs that look as if they would bite into the flesh alarmingly. Most fashion pages manage to give one a sinking feeling that swimsuits are only for those with flat stomachs, fetching cleavage and immaculate legs. The only decent thing for the rest of the population is to stay indoors or, at least, covered up properly.

How to be a beach belle

1. Large hips, dimply legs, low-shag bottom? This copy of a '50s swimsuit, in sky blue patterned with sun, trees and boats, has a skirt which camouflages them all. In 100 per cent cotton, the top and pants come separately. This is ideal for those with awkward-length bodies as the swimsuit will neither sag nor pull. Sizes 10, 12 and 14. £40 (p+p £2.50) from Maggie Smith, 63 Charterhouse Street, London EC1. You should ring her (01 251-5888) to make an appointment first.

2. Large bosom and too much flesh all round? This is a revolutionary new design called a swimsuit and, being made of Lycra and Lycra, guarantees to take about an inch off the waist and stomach. Meanwhile, hidden wires support the bosom without having recourse to those awful cups which always slip just as your crawl gets under way. Our guinea pig tried it and it works. It comes supplied with a tape measure so you can measure the results for yourself. In purple with black, turquoise with black or pink with black, it is £45 from Fenwick of Bond Street, London W1 (p+p £1.50). Sizes 10-15.

3. Flabby stomach or merely too much of it? This agussuit by Oceano is made of Lycra and the ruffled front disguises over-full curves splendidly. It comes in one colourway only - a floral print in pink, purple, turquoise and green on a white background - and costs £75 from Fenwick's (p+p £1.50). Sizes 10-15.

4. Not curvaceous enough? This chic swimsuit in navy and yellow is ideal for those who are endowed less than amply. The top is padded out softly to give the impression of fullness on top, and the yellow bow draws attention to the top half. There is an optional halter neck strap for those who don't feel confident in strapless suits and, of course, it can easily be removed for sunbathing. Designed by Gideon Oberson, it costs £28, comes in sizes 10 to 16 and is available from Joshua Taylor, 59 Sydney Street, Cambridge; Camil, 39 Queen Street, Maidenhead, Berkshire; and Dessous, 49 The Broadway, Stannore, Middlesex.

5. Top heavy? In dire need of proper support? This pretty floral swimsuit from major branches of Marks & Spencer is the one for you. It is designed in '50s style with a sweetheart neckline and broad straps to flatter a fuller bosom and plump upper arms. The wider straps give proper support to those who need it. Made from nylon and Lycra, it comes in sizes 12-18, has a B or C cup fitting and costs £17.99.

6. Are you pear-shaped and do you feel more comfortable with a more covered-up look? This purple swimsuit is made of crushed polyamide and Lycra and has an optional mini-skirt which covers the rear perfectly. A good choice, too, for those with sensitive skins who like to be more covered-up. By Gideon Oberson, £52, from the stockists mentioned above.

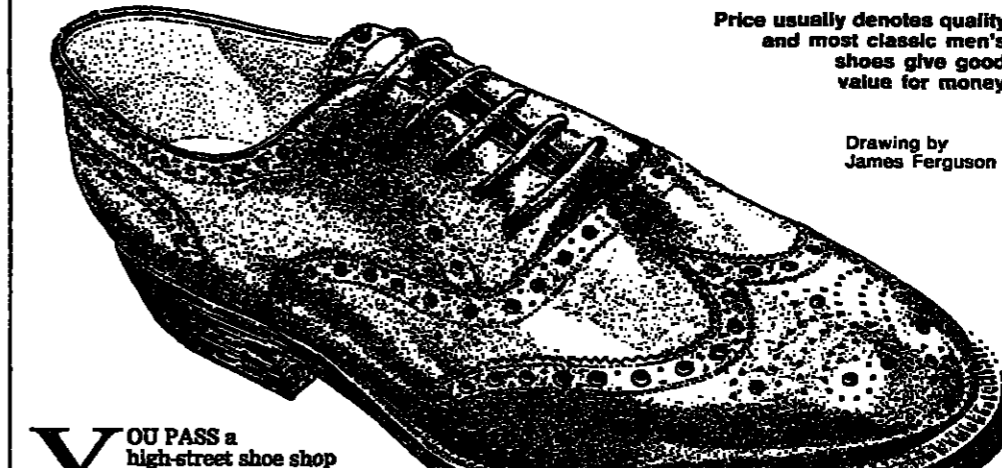
But take heart. Look beyond the highly fashionable names, take time and trouble, and you will find that there are swimsuits that cope with all the real-life figure problems of flabby mags, floppy rears, droopy bosoms, heavy thighs - all can be, if not camouflaged, at least minimised if you choose carefully. Sketched above is a row of swimsuits, each designed to cope with one of the problems to which most mortal flesh is heir.

7. Spare tyre, plump thighs, less than perfect behind? This original '50s swimsuit from Maggie Smith is good as new. The pleated front is ideal for minimising spare tyre while the little skirt covers the tops of the legs. It has a long line and elasticated back which is flattering to plump rears. Size 12 only. £50 (p+p £2.50) from Maggie Smith - address as before, and an appointment is needed to view.

Lucia van der Post is away.

Mind the quality, feel the welt

Peter Knight finds out what makes a good brogue



YOU PASS a high-street shoe shop in your new £119 Church's brogues and suddenly your feet feel very heavy. In the window are identical shoes at less than half the price. What is going on?

Classic men's shoes are fashionable again. Monks, full-brogues, half brogues, Oxford cuts and loafers sit happily at the end of legs wearing anything from best worsted to distressed Levi's. Covent Garden clothing stores might sell weird viscose creations suitable only for pimply fashion victims, but on their racks sit shoes just like granfather wore. And they are reasonably cheap. Pop into Next, Cable & Co or any of the high-street chains and you will find more inexpensive classics.

Take the brogue, which has come a long way since the Condie Oxfords defined it as a "rude Irish art". Scottish Highland shoe of untanned leather. It is the design with patterns made from punched holes. At first sight there is little difference between a £50 pair and those on your feet. Both have leather uppers and both claim to be made using the traditional Goodyear welted method (more of this later).

Food For Thought Vinegar, yellow croaker and chips

IT HAS been a nagging suspicion of mine for several years now that the banks of polyethylene fishmongers are there for chiefly decorative purposes. In this they seem to be the fishy equivalent of that little mound of "undressed salad" laid at the side of your plate in restaurants of the Bernal Inn sort. It is there to cheer up the otherwise bland colourings of the food and is eaten - like the plastic parsley on the cheese board - at your peril.

My judgement was supported by a story recounted by a colleague, who, struck by curiosity, asked the man on the fish counter of a leading department store what he did with the tropical fish at the end of the day. "Those?" he replied, "I throw them away."

to curry your fish you may as well use deep frozen ones from Brixton market. The end result means that there is precious little difference between hot-fish and boat.

As I discovered, the cooking question is crucial, as most of the local solutions will actually destroy the flavour of the fish. After having acquired a selection from Waitrose, I found myself in a mini-cab driven by a Jamaican-born Rastafarian whose mother, it transpired, was a professional cook. On festive occasions, he said, the family favourite was goat-fish, and he was overjoyed to give me his recipe.

made from leather scraps, or it will be built up with a plastic filler and finished off with leather or rubber. Leather composites are also used in the inner sole, and the sole itself will be made of hide thinner than that on the more expensive shoe. Leather is a perfect material for shoe-making because it breathes and can be moulded to the desired shape, which it will keep if cared-for.

Composite and plastics can be effective substitutes, but the shoes are harder to repair and will not keep their shape so well. A heel made of leather and cork will swell when wet, which will distort the shoe and distort the foot.

Spotting the difference between good and fair, other than by price, is relatively easy. Look for obvious blemishes on the leather, check the heel for plastic and composites, and look at the quality and quantity of lining. Goodyear welting can produce quite a chunky shoe. Construction methods such as cementing and lock-stitching, which are used for lighter, slimmer Italian shoes and other designs such as moccasins, are considered inferior to welting for the heavier brogues.

Cookery Why British berries are the best

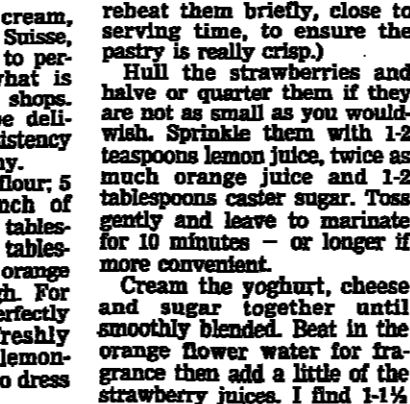
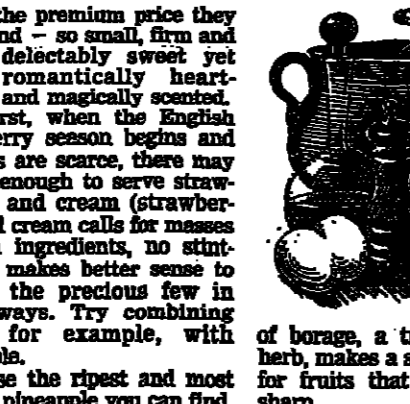
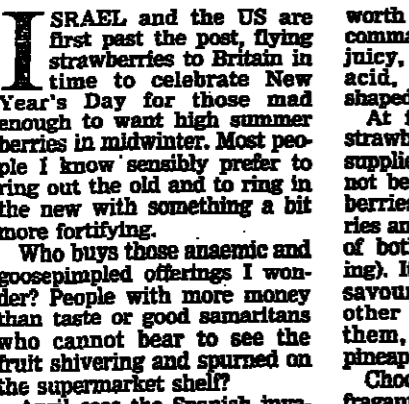
Spanish invaders have been repulsed and nationalist fervour is here again

ISRAEL and the US are first past the post, flying strawberries to Britain in time to celebrate New Year's Day for those mad enough to want high summer berries in midwinter. Most people I know sensibly prefer to ring out the old and to ring in the new with something a bit more fortifying.

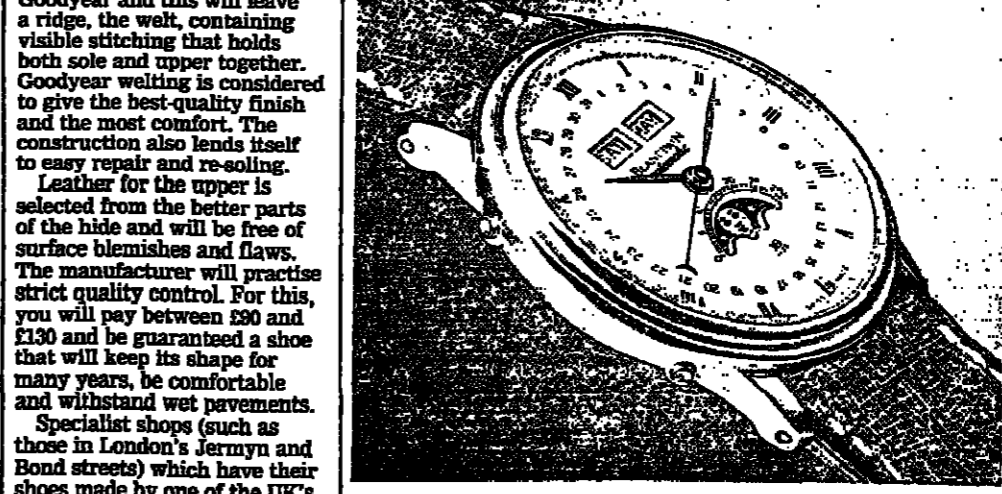
worth the premium price they command - so small, firm and juicy, delectably sweet yet acid, romantically heart-shaped and magically scented. At first, when the English strawberry season begins and supplies are scarce, there may not be enough to serve strawberries and cream (strawberries and cream calls for masses of both ingredients, no stinting). It makes better sense to savour the precious few in other ways. Try combining them, for example, with pineapple.

curd cheese, clotted cream, creme fraiche or Petit Suisse, for example, according to personal taste and to what is available in your local shops. The mixture should be delicious and of good consistency - neither stiff nor runny.

rebat them briefly, close to serving time, to ensure the pastry is really crisp.) Hull the strawberries and halve or quarter them if they are not as small as you would wish. Sprinkle them with 1-2 teaspoons lemon juice, twice as much orange juice and 1-2 tablespoons caster sugar. Toss gently and leave to marinate for 10 minutes - or longer if more convenient.



SINCE 1735 THERE HAS NEVER BEEN A QUARTZ BLANCPAIN WATCH. AND THERE NEVER WILL BE.



LONDON Carringtons, Mappin & Webb, David Morris, Garrard, London Hilton Jewellers, Watches of Switzerland, The Watch Gallery Tyne.

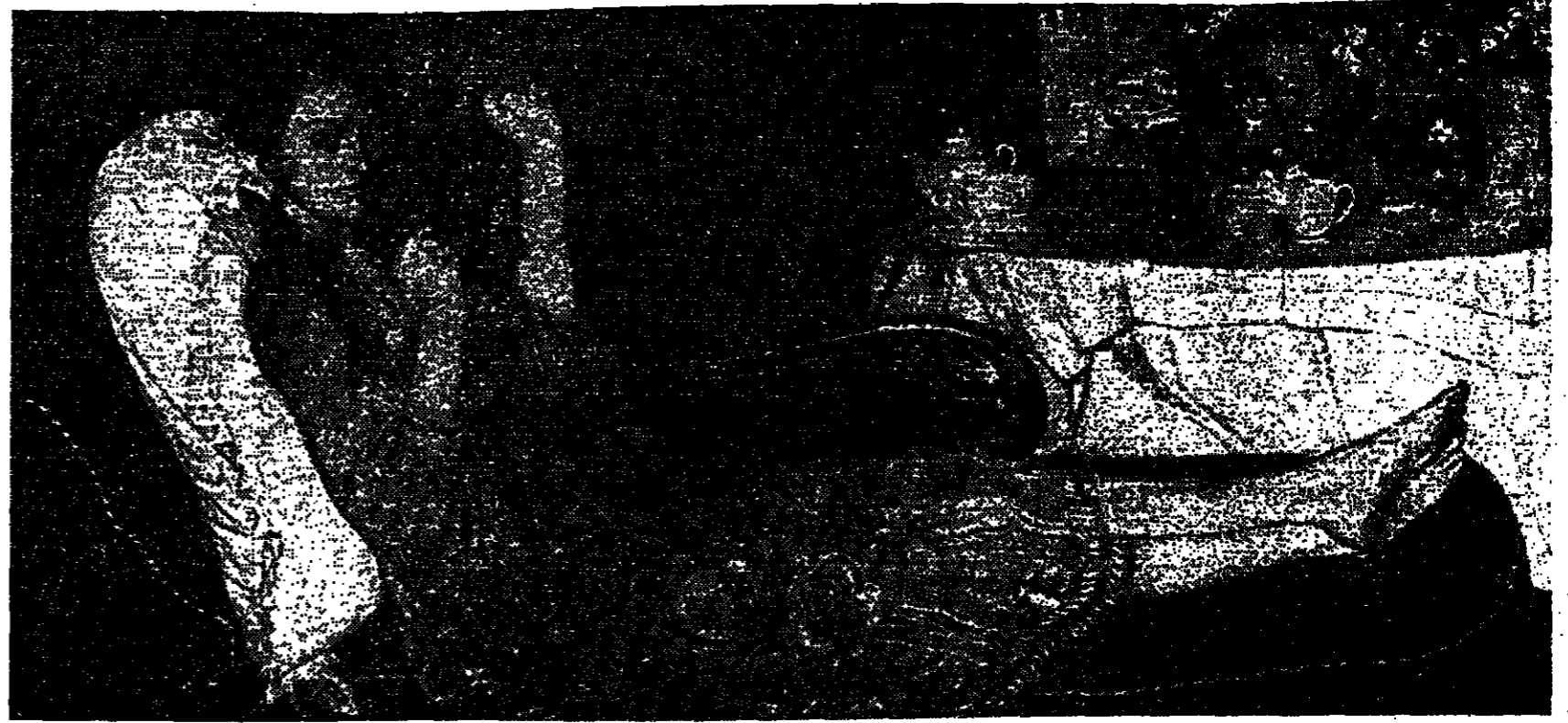
ARTS

Royal Academy's golden goose

William Packer reviews the 221st Summer Show

TODAY THE Royal Academy opens its Summer Exhibition (until August 20) to the general public with by far the larger part of the work available for sale already sold...

scension. Always there are good things to be found and always there will be monsters, but it must be the longer view that supplies any basis for a general qualitative assessment.



'Gillian Reclining' by John Ward



'The Stricken Tree' by Carol Weight

THE ROYAL Academy Summer Exhibition is like an old dog. There is the same cosy reassurance that it is still there year after year.

Architects: high-tech or soothing

shopping centre and car parks to be built in London's Royal Docks. It is a massive scheme; but how will people respond to its apparent inhumanity?

great Jacobean fantasy houses. Certainly, an architect like Quinlan Terry is reaping the rewards of Thatcherism with a long client list for new country houses.

HEREFORD Cathedral's attempt to raise an estimated \$7m for its fabric by cashing in on the most celebrated assets, the 13th century Mappa Mundi, has reached an impasse.

Should the churches sell off their silver?

In the wake of the Mappa Mundi fiasco, Antony Thorncroft discusses this thorny question

Dean still nurtures the idea that it will send the map to auction if all else fails, this is really a hollow gesture. The Arts Ministry never grant an essay export licence, which would deter rich foreign bidders.

option, the NHF reckoned that it was freed from any commitment. We are in a new ball game now, says the Fund's director Mr Oliver Harris.

generated lately, but this is reckoned to be the right path. Auction sales are the wrong path. For cathedrals it is the Bishop who must give the go ahead for a sale, but no cathedral seems to be encouraged by Herford's example.

hanging above their tombs, and the tradition continued into the 17th century. Most sets of armour disappeared over time but around fifty helmets survive. Given the dangers of theft from churches - which means that most are now kept locked - armours have been entrusted to museums, and in particular, to the Royal Armoury in the Tower of London, which has around twenty.

Now the church at Aldbrough north of Hull is considering selling its rare 14th century helmet, which is on loan at the Royal Armoury and it wants £20,000 for it. The Royal Armoury is reluctant to commit itself to buying the helmet. Because of ecclesiastical law it could not own it outright; there could be a worrying knock on effect involving it making offers for the

other helmets on loan; and the helmet is part of the parish church's heritage and should not be lightly sold. Any sale of a knight's descendants have the final say. Religious objects are sold not only for financial reasons but because they are often in danger of theft or breakage. This is the factor behind one of the most important sales ever of a religious artifact, which takes place at Bonhams in London on Thursday. It is offering the altar candlesticks that the potter Hans Coper made for the Meeting House in the University of Sussex in 1666. They could well sell for £70,000, doubling the record for any item of 20th century ceramics.

PAINTINGS by the leading Irish artists of this century - Roderick O'Connor, William Orpen and Jack Butler Yeats (the poet's brother) - have climbed in value at an annual rate of 25 per cent since 1975.

Irish stone walls and Lords of the pergola

Robin Dutty scours the salerooms for investment bargains. His purchases are on paper only

gently though unromantically handled. By an almost schematic approach Henry brings off the soothing, perhaps therapeutic effect of an unspoiled landscape. Harassed city-dwellers and expatriate Irishmen will easily imagine the sky spreading over their head and the smell of peat in the air.

already in hand. Meanwhile, Henry's prices, already up 1,000 per cent since 1975, should keep climbing. At Sotheby's sale of garden statuary on May 31, "bought" for £5,720 a pair of 18th century Portland stone lions.

creatures look like lords of the pergola rather than the jungle, but no less attractive for that. Prices in this market have been patchy. Overall, the rise since 1984 when Sotheby's began these sales has been around 100 per cent with the finest pieces, whether carved or cast, doing well above average.

As for age, broadly speaking the older the carving the better and more expensive it will be. Ancient Greek marble is on a par with Renaissance, but from the 17th century through to the present there is a gradual decline in quality and price.

Even the issue of condition is blurred. In most areas of the art market pristine condition is much prized. Yet signs of ageing in garden statuary can add to its value. Weather-beaten stone especially, with its varied colouring and lichen growth, can be attractive; if the stone is too weathered, though, and the details of the carving are lost the value of the piece plummets.

Finally, at Christie's antiques sale last Tuesday, I "bought" for £1900 a pair of fine and very pretty Hellenistic gold earrings. Made just over two thousand years ago, each is made of a twisted wire hoop with a lion-headed terminal and a beaded collar. They have more artistry than any modern earrings I have seen at this price.

a work of genius. Either way it is vastly more appreciated than any form of casting. That's why good quality one-offs will do best in the long term. I can't explain why I prefer them to a brand new pair of the same design. It seems irrational to value age for its own sake, so it must be that the gold mellows to a softer colour; also perhaps the knowledge that the earrings have been worn and treasured by a long succession of women.

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ARTS

What price new plays?

Michael Coveney reports on a new theatrical venture, Turnstyle

AS LIFE and art become more complicated, and more conglomerated, in the entertainment business, the fate of a newly formed production venture, Turnstyle, will be eagerly watched over the coming months. Turnstyle aims to bridge an unappealing gap between the interests of property companies and the true flame of original theatre. It was formed last August by Howard Panter, an independent producer of vast technical experience but uneven commercial track record, and Michael Attenborough, the son of Sir Richard who turned round the Watford Palace in a spectacular regime earlier this decade before moving on to run the Hampstead Theatre for five years. The enterprise comes into sharp focus next week with the opening at the Comedy Theatre of Terence McNally's Off-Broadway hit, Frankie and Johnny in the Clair de Lune, a steamy two-hander of sex among the kitchen staff starring Julie Walters and Brian Cox. Turnstyle manages the Comedy, and the Phoenix (Dustin Hoffman's temporary home), for Chesterfield Properties plc, the company that also owns the Curzon cinemas and the Albany family clutch of West End theatres recently acquired from the Maybox Group. The other big business connection is with Lord Edinburgh Trust plc, who plan to turn Woking, of all places, into a curious amalgam of Milton Keynes and Las Vegas by 1991. L&F's investment in Woking's leisure facilities amounts to £20m. Turnstyle will operate this complex of theatres, cinemas and night clubs by day while scouring the fringe circuit and regional theatre by night for new product that might keep the Turnstyle turnstiles clicking. The company also has an operating contract with Merton Borough Council for a similar development in Wimbledon. As Panter says, "A lot of local authorities want better arts facilities, but they don't know how to run them. They build them with the property developers and come to people like us to make them work. What we are witnessing is the wholesale privatisation of local leisure and arts facilities." On the creative input side, the energy is similarly Thatcherite. Turnstyle has initiated a development fund tied in to various American theatre companies, including Julekoff, one of the three big New York theatre owning corporations. Immediately available seed money of £250,000 has secured commissions from seven prominent youngish British dramatists who include Sharon Macdonald (whose When I Was A Girl I Used To Scream And Shout Panter converted from a mild fringe success to an international money-spinner), Dusty Hughes (the unheralded lyricist of Metropolis) and Stephen Bill (whose Curious closed shortly after Panter shifted them from Hampstead to the Whitehall). "Even the Royal Court, our leading platform for new writing, can't spend more than £30,000 a year on commissions" says Attenborough, mildly miffed that I should suggest he has abandoned the pure world of subsidised theatre for the commercial sector. "I spent 17 years in the subsidised sector, which this Government is driving into the ground. Nowadays, you need a special kind of heroism to work in, say, a big regional house, and too many of our artistic directors are spending too much time being polite to potential sponsors. "I want good new writing in the theatre, but I also want a better deal for the writer. I did a play by Martin Allen at Hampstead (Particular Friendships) which gained rave reviews and sold out for six weeks. On the last night, Allen said to me "Fine, but I still can't pay my mortgage." I want to change that. "The commercial potential of new plays is a long-running saga. You just never can tell. Producers like Michael Redgrave, Josephine Hart and Robert Fox are at least as committed to new writing in the West End as are Turnstyle. But Turnstyle hopes for increased jackpot opportunity by altering the terms of involvement. Panter, commenting on the predominant arrangement of landlords and tenants in the West End theatre, advocates "a more integrated style of management and ownership. I think it's inevitable after 40 years of the old system. Even Michael Codron is now involved in the running of three West End theatres." As a producer, Codron remains the great success story in new theatre writing. He has been associated with all the money-spinning class acts - Panter, Ayrckbourn, Simon Gray and Michael Frayn. But he disavowed the new generation after losing his entire investment on Anthony Minghella's Made in Bangkok a few seasons ago. Companies like Turnstyle do not fear to tread where history suggests they are foolish even to slip on the patent leather evening shoes. In the middle 1970s, Helen Montagu joined H. M. Ten-

needed. And, Hands admitted, the current overall deficit of £1.2m could easily rise quickly to £2m. "This is a watershed time," he said, as the RSC was the subject of various policy studies and intense Arts Council scrutiny. Unlike the English National Opera, however, the RSC is not yet operating a budget deficit. "But I see little financial hope for the future," Hands continued, denouncing the Arts Council instruction for the company to raise its seat prices by 10 per cent each year while the grant was frozen at 2 per cent and inflation was running at 8 per cent. Hands himself will direct the first new play to be presented by the RSC in the Swan at Stratford, Peter Flannery's Singer (opens September 27) for which Antony Sher is re-joining the company. Other Stratford highlights this autumn include Trevor Nunn's Othello with Willard White (Nunn's Glyndebourne Pevy) and Ian McKellen, scheduled for six weeks only in The Other Place (from August 9) before coming down to London and the Young Vic for eight weeks and September 20; and a new All's Well That Ends Well directed by Barry Kyle on the main stage (September 28). The Stratford autumn sea-



Howard Panter, Michael Attenborough and others in a theatrical setting.

Watershed time for both Hands and the RSC

SPEAKING AT THE Barbican Centre in London on Thursday, Terry Hands, artistic director of the Royal Shakespeare Company, confirmed that his successor, to be announced in the Autumn, will be fully in charge of the 1991 Stratford-upon-Avon season. "I have a say in who succeeds me, but no authority" he said, revealing that he prefaces all his remarks to the RSC Governors these days with the caveat that they should listen to him only if they want the RSC to continue as it is. Hands admitted that a "rot set in" three years ago in the company's attitude to being in the building are now under way. The RSC was on an upward artistic graph, he alleged, and "the crowds are back with us." Attendances are currently running at 85 per cent of capacity in Stratford-upon-Avon and 90 per cent at the Barbican. But the company remains in dire financial straits. The three-year £1m sponsorship from Royal Insurance is at an end, and has yet to be replaced from the 1988 season. The company's income, especially, and Les Liaisons Dangereuses, continue to earn money for the company, but more commercial success is needed. And, Hands admitted, the current overall deficit of £1.2m could easily rise quickly to £2m. "This is a watershed time," he said, as the RSC was the subject of various policy studies and intense Arts Council scrutiny. Unlike the English National Opera, however, the RSC is not yet operating a budget deficit. "But I see little financial hope for the future," Hands continued, denouncing the Arts Council instruction for the company to raise its seat prices by 10 per cent each year while the grant was frozen at 2 per cent and inflation was running at 8 per cent. Hands himself will direct the first new play to be presented by the RSC in the Swan at Stratford, Peter Flannery's Singer (opens September 27) for which Antony Sher is re-joining the company. Other Stratford highlights this autumn include Trevor Nunn's Othello with Willard White (Nunn's Glyndebourne Pevy) and Ian McKellen, scheduled for six weeks only in The Other Place (from August 9) before coming down to London and the Young Vic for eight weeks and September 20; and a new All's Well That Ends Well directed by Barry Kyle on the main stage (September 28). The Stratford autumn sea-

Michael Coveney



Scene from an open air production of "Much Ado About Nothing" put on by the Duke's Theatre, Lancaster in Williamson Park

Enchanted eve

YOU COULD not ask for more attractive settings for Much Ado than you have in Lancaster's Williamson Park, a request to the city from Lord Ashton ("the linoleum millionaire," as the official handout describes him), Don Pedro and his company return from the wars - the Napoleonic wars, to judge from Graham Shairp's costumes - across a green grassy slope, to be received by Leonato on the steps of the massive Edwardian baroque Ashton Memorial. Here Beatrice (Buffy Davis) is painting a portrait of Hero (Jane Nash). Then the audience is led to a courtyard on the other side of the memorial, where there is dancing and singing to the music of Chris Lerner (who also plays Borachio) to celebrate Hero's engagement to Claudio (Francis Middleitch). Claudio, with Leonato and Don Pedro, is next met rowing round a handy artificial lake, not seeing that Benedick (Terence Beesley) is there in another boat from which to voice his joys of bachelorhood. Quite a long way off, at the handstand, the Watch, led by Ian Blower's Dogberry, overhear the plot to libel Hero, and we see the dreadful consequences at the spoiled marriage in the same courtyard as its early initiation. Don John (Fergus McLarnon) retires in triumph with Claudio, while Beatrice kneels for a moment at the altar before charging Benedick with his duty ("Kill Claudio!" in a quiet but earnest command.) The Watch's interrogation of their suspects, Conrade tied to a tree upside down, takes place in a little glade where earlier we have seen Pedro's officers playing French cricket and the court ladies playing battledore-and-shuttlecock.

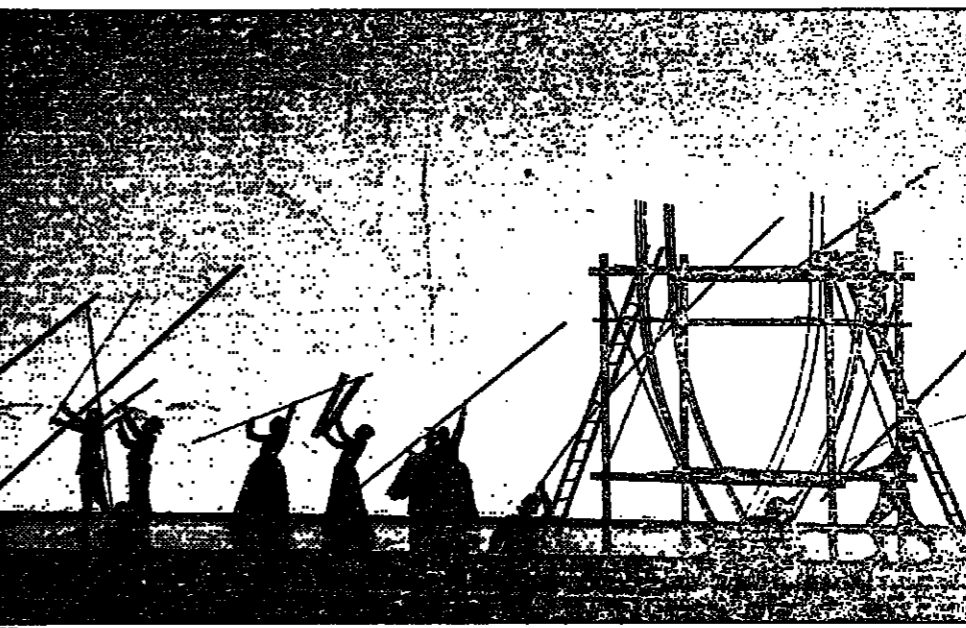
voice is sometimes a handicap. (I loved the electronic nightgales in the woods.) But I found the whole evening enchanting, even though a light rain began to fall. Ian Forrest is the director responsible for these pleasures, with Mark Frisby at sound and lights. This is not an occasion to describe subtleties of performance. Beatrice and Benedick were always charming to watch; Dogberry's jokes kept the audience amused; Don John radiated unpleasantness; Leonato was a great advocate for middle-age. Chris Lerner's music suggests a rather daring composer of 19th-century anthems. The linoleum millionaire is the star. B.A. Young

Advertisement for Mozart and London Symphony Chorus. Includes text: 'MOZART', 'LONDON SYMPHONY CHORUS', and 'CONCERTS IN LONDON'.

Advertisement for ART GALLERIES. Includes text: 'OF INTEREST TO COLLECTORS OF EARLY ANTIQUITIES OR MUSEUMS', 'ROYAL COLLEGE OF ART 1988 Fine Art Degree Show', 'ALLANBY GALLERY', 'PARKIN GALLERY', 'MAYNARD LITTLEWOOD'.

Radio

COMMUNITY interests. LONDONERS not content with the BBC have at present three other legitimate choices, LBC and two sorts of Capital. Now there are 32 applications for another, a "community of interest," FM channel, plus six specifically from Brighton, which claims special ethnic needs. There are also 15 "multi-ethnic" applications for VHF/AM contracts. I have been sent details of two of the "community of interest" stations, but, not being a Londoner, I don't take sides. One is Melody Radio. This will offer 168 hours a week of melody, vocal or instrumental, classical or current, anything as long as there is a good strong melody line. Speaking as a neutral, I would say this sounds just like Muzak, much heard but little listened to. The other is London Jazz Radio, with a 24-hour jazz service every day, including Afro-Caribbean and Soul. I personally feel that there has been little worthwhile jazz since the 1940s, so I should not myself be a constant listener. Then there are 15 applications for Birmingham and some others. The IBA will give its decisions in, or soon after, July. Wearing 150 degrees, Wednesday evening on Radio 3 was devoted to Sir Isaiah Berlin, to celebrate his 80th birthday. It was a highly miscellaneous evening. It began with half an hour's Third Ear conversation with John Drummond, in which some personal detail of the programme was discussed. Next, records of Alfred Brendel (a friend), playing Schubert. "He thinks well he plays," Sir Isaiah said, and brings out the tragic side of Schubert even better than Schnabel. Schubert was followed by the first of the Mellon Lectures of 1966, on the general subject of Sources of Romanticism, of which more in a moment. Then came a concert (also on records) of music by Stravinsky, who was a friend. Sir Isaiah was funny about going to hear Figaro at Covent Garden with Stravinsky, who left at the end of the first act on the ground that his party all had diarrhoea. We heard Abraham and Isaac, whose words were chosen from the Book of Genesis, in Hebrew, by Sir Isaiah when Stravinsky unexpectedly announced his intention to dedicate a work to the state of Israel (Stravinsky knew no Hebrew). Then, Les Noces. The lecture, which I shall not try to summarise, was headed In Search of a Definition. The search, which called in thoughts from an infinity of thinkers ("a more familiar example, Aristotle" is the kind of phrase we heard) dealt broadly with the years 1760 to



"De Materie," a collaboration between composer Louis Andriessen and director Robert Wilson

Minds over matter

Andrew Clements reviews Robert Wilson's latest musical excursion at the Holland Festival

Each is founded in a historic episode in the first text is derived from the 1588 declaration that established a United Dutch State, contemporary prescriptions on ship-building and a 16th-century dissertation on the atomic theory of matter by Galileo; the second sets a meditation on religion and sexuality by the 13th-century mystic Hadewych; the third quotes texts relating to Mondrian and the De Stijl movement in the visual arts; the fourth centres on Marie Curie. Andriessen apportions the texts between a chorus in the orchestra pit, two narrators, and soprano and tenor soloists; his music veers between jagged, brassy repetition and hieratic Stravinskian chorales, occasionally dissolving into moments of Berio-like luminousness. The mixture is always engaging, and sometimes strikingly beautiful, though not intrinsically dramatic, and tends to pursue an independent course from Wilson's beguiling stage parade of historical allusions. It's hard to imagine the vast acreage of the Muziektheater filled with a sequence of more elegant images; a snapshot taken at any moment of De Materie would be crystalline, perfectly balanced, with Wilson's deployments of distinct personality. It was consummately realised: conducted with clarity and attack by Reinbert de Leeuw, the solo vocal lines taken with uncomplicated directness by James Doing and Wendy Hill and the choreography (by Suzushi Hanayagi) led by the compelling Beppie Blankert. There are further performances in Amsterdam until June 17; then the show moves to Rotterdam and The Hague. It should be seen.

Advertisement for Chamber Music Festival at Camden Place, No. 10, Guildford, Surrey. Includes text: 'CHAMBER MUSIC FESTIVAL', 'THE GUILDHALLS OF CHAMBER MUSIC'.

Advertisement for Exhibitions. Includes text: 'THE 1989 FINE ART & ANTIQUES FAIR', 'A whole world of antiques, 9th - 19th Century'.

Community interests

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Advertisement for THE GROSVENOR HOUSE ANTIQUES FAIR. Includes text: '15th - 24th June 1989', 'Grosvenor House, Park Lane, London W1.', '14th June: Charity Gala Evening 6.00 p.m. - 9.00 p.m.', '15th June and subsequent days: 11.00 a.m. - 8.00 p.m.', 'Telephone: (0793) 28699 or from 10th June, 01-429 0023.'

SPORT

John Barrett has been crystal ball-gazing at the French tennis championships in Paris

Teenagers on their way to the stars

THIS WEEK I looked into the future. I liked what I saw. My crystal ball was a rectangle of red clay - the centre court of the Stade Roland Garros in Paris.

One is an American boy of Taiwanese descent who is 17, was born in Hoboken, New Jersey and lives in California. The other is a slip of a girl aged 16½ (going on 25), who has a Hungarian name, was born in Yugoslavia, lives in Florida and speaks American with machine-gun pace in a delightful little-European accent.

By winning his semi-final yesterday 6-1, 5-7, 7-5 against Andrei Chesnokov of the Soviet Union, Chang becomes the youngest player ever to reach the final of the men's singles at a Grand Slam Championship. He is a clear six months younger than Mats Wilander when he won here, unseeded, in 1982, and even four months younger than Boris Becker when he achieved a similar feat at Wimbledon three years later.

Monica, a left-hander who smits a loud grunt every time she hits the ball, is the second youngest Grand Slam semi-finalist. In 1986 Gabriela Sabatini was only three weeks past her 15th birthday when she reached the last four in Paris and lost to Chris Evert 6-4, 6-1. But the manner of Monica's assault on the world champion and Grand Slam winner Steffi Graf on Thursday left no doubt

that she is an altogether different prospect. The slow bounce on the red clay surface in Paris always makes it difficult to hit winners. Accordingly, the French Championship is physically the most testing of all. Chang discovered the truth of that in his exhausting four-hour battle against the world No 1 Ivan Lendl on Monday. His 4-6, 4-6, 6-3, 6-3 win will rank as one of the most astonishing upsets in the history of tennis. Against the three-time champion, the most professional player of the day, Chang was given no chance. After Lendl had safely tucked away the first two sets, a rout seemed inevitable.

But, the nimble Chang, looping the ball back to a length until a short ball allowed him to go for a blazing winner on his double-handed backhand, never stopped believing. A born-again Christian, he has a delightfully simple view of life. "If I Lord wanted me to win I knew he would help me," he said later.

He was afflicted with cramp in the final set. But self-help is also part of his philosophy. A cheeky underarm serve took Lendl by surprise and had the crowd roaring with delight. At match point the old play of standing close to the service line on a second serve got the crowd going again and, after a long delay while they settled, brought the hoped-for double fault to end the match.

So what is the basis of Chang's game? First and foremost he is a born competitor who knows when and how to exert the right pressure. Slight of build above the waist, he lacks power on the serve but his beautiful timing, on both the somewhat cramped forehand and penetrating backhand, allows him to take the ball on the fly to embarrass his opponents with their own pace. Strong and sturdy legs carry him about the court with blistering pace so that, time and again, seeming winners are rifled back past an astonished adversary. Michael Willey, beautifully when required, although he prefers

to work out the rallies from the back of the court. At first sight Lendl's collapse is inexplicable. Why did so experienced a match player not use the drop shot and lob to destroy a cramp-afflicted opponent? Why did he simply feed the ball back instead of hitting it harder as he normally does?

I believe the seeds of Lendl's collapse may have been sown in Melbourne in January when he said that his main target for 1989 was Wimbledon. While I would not suggest for one moment that he was not trying in Paris, his internal computer has been programmed to success on grass later this month. When the time came for the supreme physical and mental effort this week the computer could not respond.

Seles is the best 15-year-old the game has seen. Her quick brain allows her to answer questions with the speed of a rifle shot. Her responses are a mixture of disarming honesty and worldly wisdom.

Her tennis reflects these qualities. She lives on the baseline; on it, not behind it. I have never seen anyone who can counter-attack with half-volley drives of such power and precision - nor heard such evidence of the effort expended. This was only her sixth professional tournament and her first appearance in a Grand Slam. The way she destroyed the 4th and 6th seeds Zina Garrison and swept to the last four without losing a set served notice of her true worth.

Defending champion Steffi Graf was most relieved to survive 6-3, 3-6, 6-3, after an emotionally draining performance that was much closer than the score suggests. Graf will have a much easier ride this afternoon against 17-year-old Arantxa Sanchez, who beat Mary Joe Fernandez of the US 6-2, 6-2 to become the first Spanish girl to reach the final in Paris. Today Steffi should equal Martina Navratilova's record of six successive Grand Slam titles.

However, looking once more into my crystal ball I can dimly see a new, very exciting, emerging star. Mercifully, I cannot bear her.



Two for the future: teenagers Michael Chang (above) and Monica Seles

Golf Three to watch in the US Open

HOW THE balance of power in championship golf has changed. On arriving in Westchester, New York, this week for the Classic Tournament to be sponsored for the last time by Manufacturers' Hanover, I could find nary a single soul who wanted to bet that an American professional would win next week's 88th US Open Championship at nearby Oak Hill Country Club in Rochester.

The idea of the water was far less than a dozen foreign invaders and give my intended victims upwards of 140 Americans in the starting field of 156, terms which I believed to be eminently fair. But I could find no takers, so dominant have become the best players from Britain, Europe, Australia, South Africa and Zimbabwe.

Not even defending champion Curtis Strange could inspire confidence in his fellow countrymen, probably because he has failed to win in America so far this season, his one success being in Australia. The consensus was that the East Course at Oak Hill, is made for US Masters champion Nick Faldo's ability to hit the vast majority of fairways and greens, an apparently surefire recipe for winning the event in question, so tortuous is the rough. England's Faldo, runner up to Strange last year in Boston, will start as the hottest favourite since Jack Nicklaus was in his prime.

While I respect his talent as the most brilliant in the world, I cannot see him winning many more major titles in this country until, and unless, he gives himself much more time in advance to become acclimatised. His rivals respect his brilliantly inventive stroke making, but they are in no way overawed by it, or him any more.

No one has managed successfully to defend the US Open title since Ben Hogan accomplished that feat in 1951. But that is no good reason for opposing the chances of Strange. His recent form, however, has been far from impressive. The best point to make in his favour is that he has not tired himself out in the weeks

before his title defence, a quite valid one. The same could be said of Ben Crenshaw. But I often wonder "George Ben" indeed, are he really one of the great moneymen of the modern era - is he not far too intense in his desire to win major titles. He is, however, undoubtedly the best putter in the field by far, which counts for so much in events of this stature, where the greens will be lightning fast. Mark Calcavecchia has very definitely gone off the boil after his two victories in a sensational start to the season, and the same might be said of the unbelieveably consistent Greg Norman and Spain's Seve Ballesteros have put additional pressure on themselves but for different, if similar reasons. Norman keeps finding a way of losing major championships he should have won. Questions about his course management are inevitably being asked. In addition, a lot more are as unkind and cynical - as they are unworthy - about his courage.

Ballesteros has, by his standards, a rather poor record in an event he now covets most of all. While I respect his talent as the most brilliant in the world, I cannot see him winning many more major titles in this country until, and unless, he gives himself much more time in advance to become acclimatised. His rivals respect his brilliantly inventive stroke making, but they are in no way overawed by it, or him any more.

It is hard to imagine that one can leave out completely from consideration Nicklaus and Tom Watson. But, I believe that as Nicklaus approaches his 50th birthday, his legs are starting to betray him, while I dealt two weeks previously with the decline of Watson. Perhaps the last straw for this great competitor came at Westchester when he lost his confidence in 15 years. Bruce Edwards, to Norman, Norman has not only offered Edwards a princely salary but this fortunate young bag carrier will get to travel with his master worldwide. More than 100 cadets jumped at Watson's call when he stepped down from the Westchester on Monday. Tom immediately climbed back in, and entered by another entrance. One intrepid young man alone spotted the ruse, however, and now is Watson's proud bag carrier.

ent numbering himself is still around next week in upstate Rochester. Scott Simpson, who won at Olympic Club in San Francisco in 1987, and tied for sixth place last year in defence of his title, won in Atlanta three weeks ago, and I have no hesitation in naming him on my shortlist of three headed, of course, by Ben Hogan.

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It was to pick a dark horse, but I certainly have a few chances. It would be the very consistent South African David Frost. I feel that if and when this young man can win a major title it will only be the first of many.

Ben Wright

CROSSWORD

No. 6956 Set by CINEPHILE. Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday June 21, marked Crossword 6,956 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday June 24.

Crossword grid with numbers 1-24 indicating starting positions for clues.

- ACROSS 1 Just the ordinary native servant, coloured? (6,6) 10 Levant's first, Levant's smallest (5) 11 Mugger with bad characters in German city (9) 12 Gentle walker with string attached will take chances (7) 13 School subject in play (7) 14 Score not supplied by companion (5) 15 This brief could be for one of us (9) 16 Designer of creative work including note on the City (9) 17 Maiden in larval form? (5) 18 Shanty doing little good after time (3,4) 19 Beast stirring cocoa among sailors (7) 20 Nake with badly awful heart in the shade (5,4) 21 Less than 1,000 in America (5) 22 Managing a theatre with affections needed to keep thing going (7,7)

Down clues for the crossword puzzle.

MARKET FORCES crossword grid with clues.

TELEVISION & RADIO

SATURDAY

Television and radio schedule for Saturday, listing programs like BBC1, BBC2, Channel 4, and various radio stations.

SUNDAY

Television and radio schedule for Sunday, listing programs like BBC1, BBC2, Channel 4, and various radio stations.